



September  
1980

automotive  
executive

Published for America's automobile and truck dealers



**FINANCE & INSURANCE:**  
**A Closer Look**  
**at the Profit Potential**



If your insurance company's idea of complete coverage is to roll out one policy after another, it's time for you to call in The Specialist, Universal Underwriters Insurance Company.

The Specialist knows that even though your insurance needs may be complicated, your insurance coverage doesn't have to be. We can underwrite the most comprehensive insurance for your dealership and package it all in one convenient policy — Unicover.®

You can easily add additional coverage under Unicover, without adding another policy. That's Unicover's flexibility. And because we're Specialists in auto dealer protection, you're getting coverage designed specifically for your business.

Unicover offers you other benefits too. With one policy, there's only one monthly billing — at no interest charge.

If you want integrity you can count on from your insurance company, then you want The Specialist.

Phone toll-free

**800-821-7803**

Ask for Patty Henderson. Or write for more information about Auto Dealer Protection from The Specialists.

Name & Title \_\_\_\_\_

Dealership \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_ Zip \_\_\_\_\_

**Specialists in  
Auto Dealer  
Protection.**



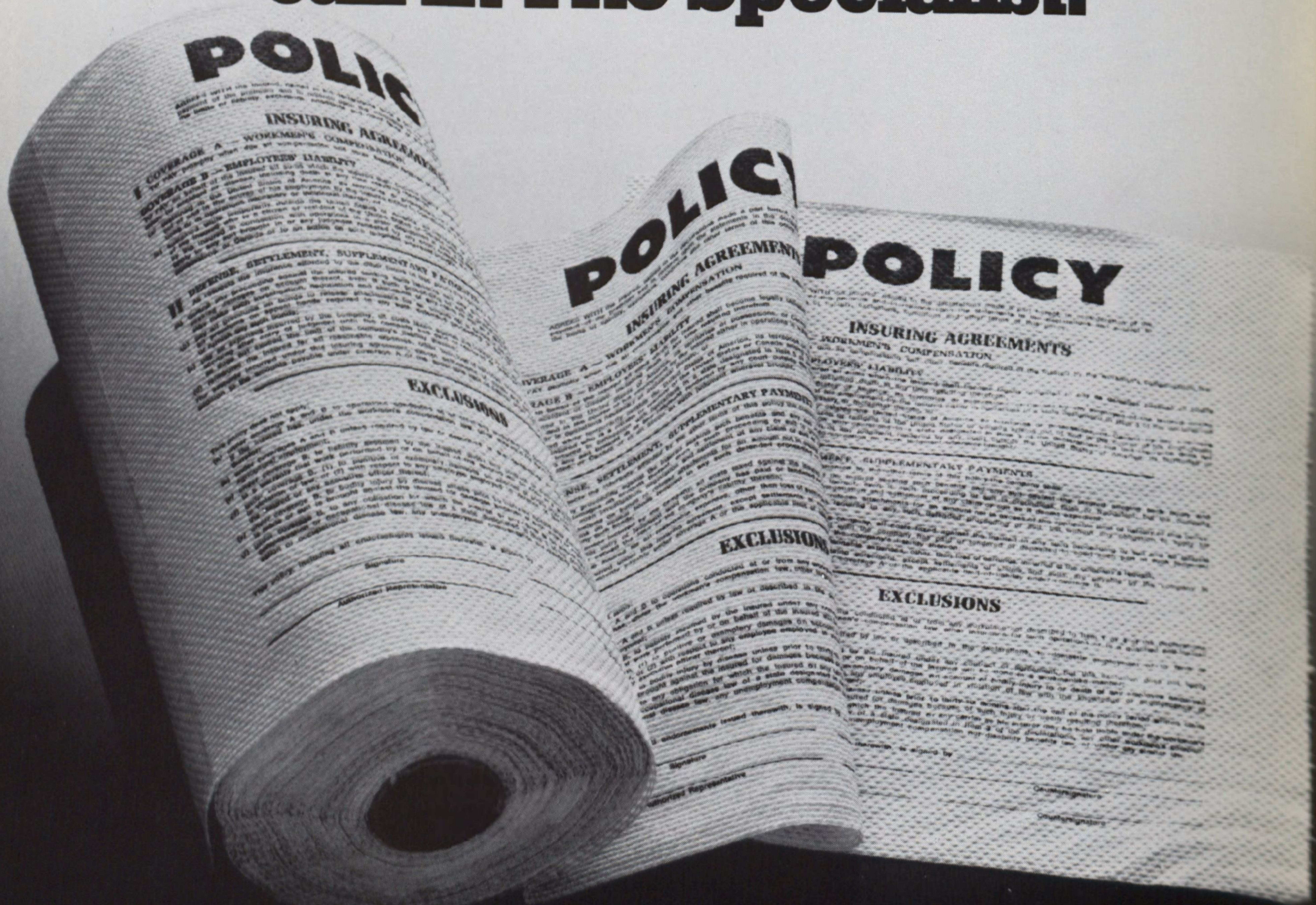
**Universal Underwriters  
Insurance Company**

A Member Company of the  
Lynn Insurance Group

E. M. Lynn, President

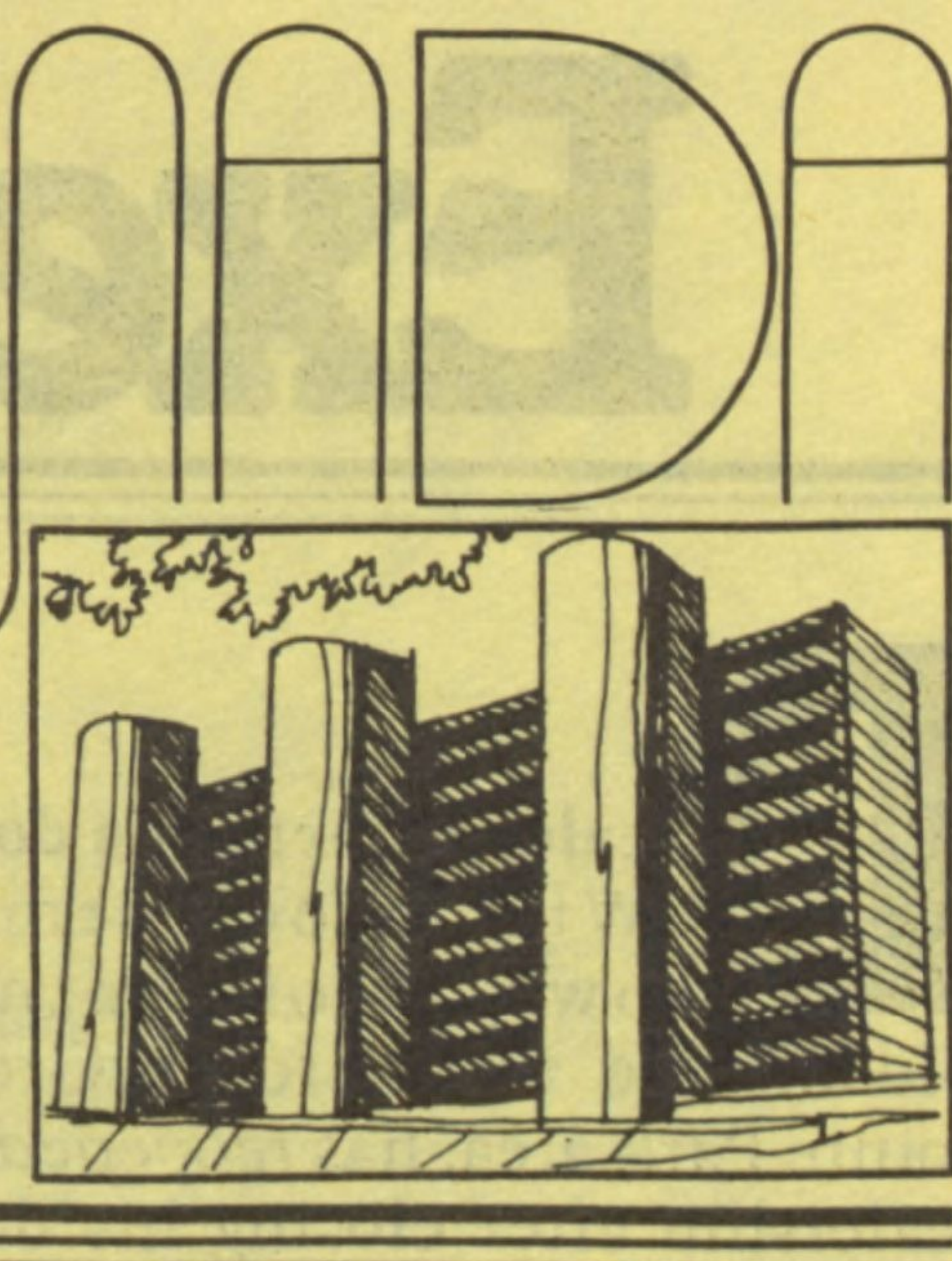
5115 Oak Street, Kansas City, MO 64112 AE

**If you want more coverage,  
not more policies,  
call in The Specialist.**





# COMMENTARY



## The General Motors Agreement

On July 25, 1980, the General Motors Corporation unveiled its new, five-year Sales and Service Agreement for its dealer body. It may represent the greatest single advancement in franchise agreements in the history of franchise agreements—period.

The new agreement, unlike its predecessors, truly is a "fresh start" for all GM dealers, guaranteeing many of the fundamental rights and privileges for dealers, fundamentals which were not addressed in previous agreements. In this respect, the GM agreement tracks in many ways the famous Magna Carta, granted to the nobles of feudal England by King John in 1215.

The parallels between the two documents are several. Both grew out of deep dissatisfaction. Both set out to correct inequity and injustice, and as historic first steps, they succeeded admirably.

The similarity stops here, however. The English Charter was drawn unilaterally, secretly, and was handed to the king as an ultimatum. The new GM agreement, to the contrary, was developed bilaterally by NADA and GM, and was accepted in peace and partnership.

General Motors opened the contract to dealer input and accepted the consequence. Substantive improvements proposed by NADA and adopted by GM cover vital dealer concerns in the areas of distribution, warranty, dealership location, successorship, termination, indemnification, product promotion, transportation damage and dispute arbitration. On each point, GM makes its responsibility clear to its dealers.

Unquestionably, the most significant change in the new agreement is the marked improvement in the document's overall tone and character. Gone is the one-sidedness, and also gone is the harsh and punitive language of the previous contracts. Instead, the new agreement is fairer, more objective, and clearly bipar-

tisan.

NADA President George S. Irvin says the agreement "sets a new standard for the industry." GM President E. M. Estes talks about a new era of dealer-factory relations and of "doing business on a handshake."

The two presidents speak of partnership with confidence and hope, based on experience each has gained in the months and years devoted to writing and adopting the new agreement.

NADA decided very early in the process to approach the development of a new agreement in the spirit of cooperation, and to avoid an adversary posture. Also, NADA determined to adopt a professional approach—that is, to research the facts, to obtain dealer agreement on issues and remedies, to report the facts and dealer consensus accurately and objectively to the manufacturer, and to mutually develop solutions agreeable to both parties. This simple approach was effective and successful, thanks in large measure to GM's spirit of willing cooperation.

While the new agreement does not meet all of the needs of GM dealers, it is a great advancement from past documents. While our industry faces unprecedented hard times in the marketplace and the response of our manufacturers has been a source of frustration for us all, a responsible action on the part of General Motors in the drafting of the new Sales and Service Agreement is most refreshing.

This movement by GM certainly is not the end of our goals and efforts, but only the beginning. The journey of a thousand miles begins with a first step, and that step plus many more have been taken. This does not mean that we can lessen our efforts in any way in seeking the achievement which is the ultimate goal for all—a full, fair and objective agreement for all dealers. NADA will pursue that goal and fight for the rights of every dealer in every forum. **AE**



# Executive Notes

**D**ealer reopens his doors. Willie Joe Patmon, owner of Patmon Oldsmobile in Detroit's Grosse Pointe Park area, has *reopened* his dealership after closing his doors about six months earlier.

In 1977, Patmon Oldsmobile was ranked the nation's 15th largest black-owned business by *Black Enterprise* magazine. But dismal car sales and record bank interest rates forced the agency to close its doors last January.

Patmon says his dealership's new funding comes from his own personal investments and loans from City National Bank (SBA guaranteed), Inner-City Capital Access Center, and General Motors Assistance Corp.

Grand opening festivities took place in late July.

\*\*\*

**Owning more, driving less, and other interesting facts.** According to the Newspaper Advertising Bureau, Inc. Americans are changing their habits in ways that should interest new car dealers a great deal. A 1980 study shows that 74 percent of the new-car-buying households surveyed now own two or more cars, a seven percent jump over the survey results of just four years ago.

However, driver responsiveness to the energy crisis apparently has caused a rather pronounced cut-back in driving since 1976. In the most recent study, 72 percent of the respondents said they cut their personal consumption of gasoline, compared to 46 percent of the people in the '76 study. The proportion of people who reduced their usage by 10 percent or more nearly doubled in the four-year interim between the studies, rising from 23 percent of the respondents to 40 percent.

Both the 1976 and the 1980 studies defined "recent new car buyers" as those who had purchased a new car within the past

three years. However, all 980 participants in the earlier study were men, whereas in the 1980 survey, the 1,003 interviews were evenly divided among men and women who had driver's licenses and who had actively participated in the decisions to select and buy the car.

The '80 report notes that among new-car-buying households *with two drivers*, more than three-quarters own two or more cars, and in households with three or more drivers, the figure rises to 94 percent.

But of those men in the study who live in one-person households, 30 percent reported they own two or more cars too. Only three percent of the women said that.

The *expectations* of the people in the survey are particularly interesting. Thirty-seven percent of the men and 35 percent of the women who expect to buy sub-compacts, for instance, are anticipating that the cost will exceed \$7,000. And they are thinking of offsetting these higher costs by keeping their cars for a longer time.

On the average, the respondents estimated they would keep their next cars 51 months, three months longer than the guesstimate of those in the '76 survey. Those who plan to buy sub-compacts said they intend to hold on to them for an average of 55 months, and the intermediate and full-size model buyers said 46.

According to the '80 survey, more men than women (74 percent to 69 percent), and more older than younger drivers (76 percent of those 50 and over and 69 percent under 30) have cut back their driving.

The most utilized means of cutting back seem to be fewer pleasure trips; better car maintenance; fewer shopping trips; reducing speed; doubling up in one car;

smaller car for everyday use; and shopping for gasoline prices. Other steps mentioned by the survey participants include car pooling (listed by 28 percent) and public transportation (14 percent).

It seems the '80 survey participants' estimates of the *relative costs of buying and keeping* a car were fairly consistent with those of the '76 group, but they were not so consistent, apparently, with the facts. In '76, the survey answers indicated a belief that the purchase price represented 60 percent of the cost of owning a car, whereas the government estimated it at only 27 percent. In '80, the answers put the cost of buying a car at 56 percent of the total cost, when in fact, AAA and other statistics show that the cost to run a car continues to be greater than the cost to buy it.

As in '76, most of the '80 study respondents also overestimated the cost of gas and oil as a proportion of all maintenance costs.

A large percentage of the new car buyers (46 percent) said they obtain information from dealers when they are getting ready to buy an automobile. Also mentioned were: friends, relatives (28 percent) and mechanics (3 percent). The respondents visited an average of 3.3 dealers before buying, and nearly one out of four (23 percent) bought after seeing only one dealer.

Interestingly, the youngest buyers (under 30) visited more dealers (3.9) than the buyers who were 50 years of age and older (2.7).

Overall, three quarters of the buyers reported they read a daily newspaper on the average week-day. Over five days, 87 percent read one or more daily papers an average of 4.4 times. The statistics were slightly higher among the key prospects, those who plan to buy a car within the next year.

\*\*\*



# Fewer Sales = Greater Profits\*

## \*With 'TekTor

Why is 'TekTor the Fastest Growing Sealant  
Program in the Country?!

\***Product Superiority**—Our products work for you—  
Not against you!!

\***Application:** Quick & Easy—Less labor per  
vehicle.

\***Cost:** Structured to fit today's needs—  
No rigid kit forms.

\***Sales Training**—Achieve high closing ratios through  
effective in-house training of your  
people.

\***Follow-Up**—Your continued success is our  
only success!!

## The 'TekTor Protection System Works!!

A product package designed to  
raise gross effectively in  
any dealership through effective  
implementation and follow through!!



## The 'TekTor Protection System



R.C.I. 'TekTor  
P.O. Box 340  
Catawba, NC 28609

For a Free 2 oz. Sample of 'TekTor Superior  
Exterior Protector (One Car's Coverage), send  
us your business card attached to the coupon below!!

☐ Dealer Inquiry ☐ Distributor Inquiry

Name \_\_\_\_\_ Title \_\_\_\_\_  
Company \_\_\_\_\_ Phone \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

For Faster Action,  
Call Us At  
704/478-2161  
for your  
Free Sample!



# **AE<sup>TM</sup>** automotive executive

## **NATIONAL AUTOMOBILE DEALERS SERVICES CORP. BOARD OF DIRECTORS**

**George S. Irvin**, President  
Denver, Colo.

**Wendell H. Miller**, Binghamton, N.Y.

**Frank C. Davis**, Nashville, Tenn.

**George W. Lyles**, High Point, N.C.

**William C. Doenges**, Bartlesville, Okla.

**Leslie M. Emerson**, Lewiston, Maine

**Bertrand A. Feiber**, Bogalusa, La.

**Marvin D. Hartwig**, Iowa City, Iowa

**William J. Symes**, Pasadena, Calif.

**Frank E. McCarthy**, McLean, Va.

# F&I

page 28

**automotive executive** (ISSN 0195-1564) is published monthly by the National Automobile Dealers Services Corp. **Postmaster: Send address changes to *automotive executive*, 8400 Westpark Dr., McLean, Va. 22102.** Subscription rates delivered prepaid in U.S. and U.S. possessions \$12.00 per year, \$18.00 elsewhere. Single copies delivered prepaid \$2.00. Multiple subscriptions available at discount rates. Controlled circulation postage paid at Olive Branch, Miss. Copyright 1980 by the National Automobile Dealers Services Corp. All editorial communications should be addressed to the Editorial Director, **automotive executive**, 8400 Westpark Dr., McLean, Va. 22102.

## **EDITORIAL STAFF:**

**Publisher**, Normand L. Raymond

**Editorial Director**, James H. Lawrence

**Managing Editor**, William P. Steinkuller

**Senior Editor**, Ron Rogers

**Contributing Editor**, Sam E. Polson

**Graphics Coordinator**, Debora A. Smith

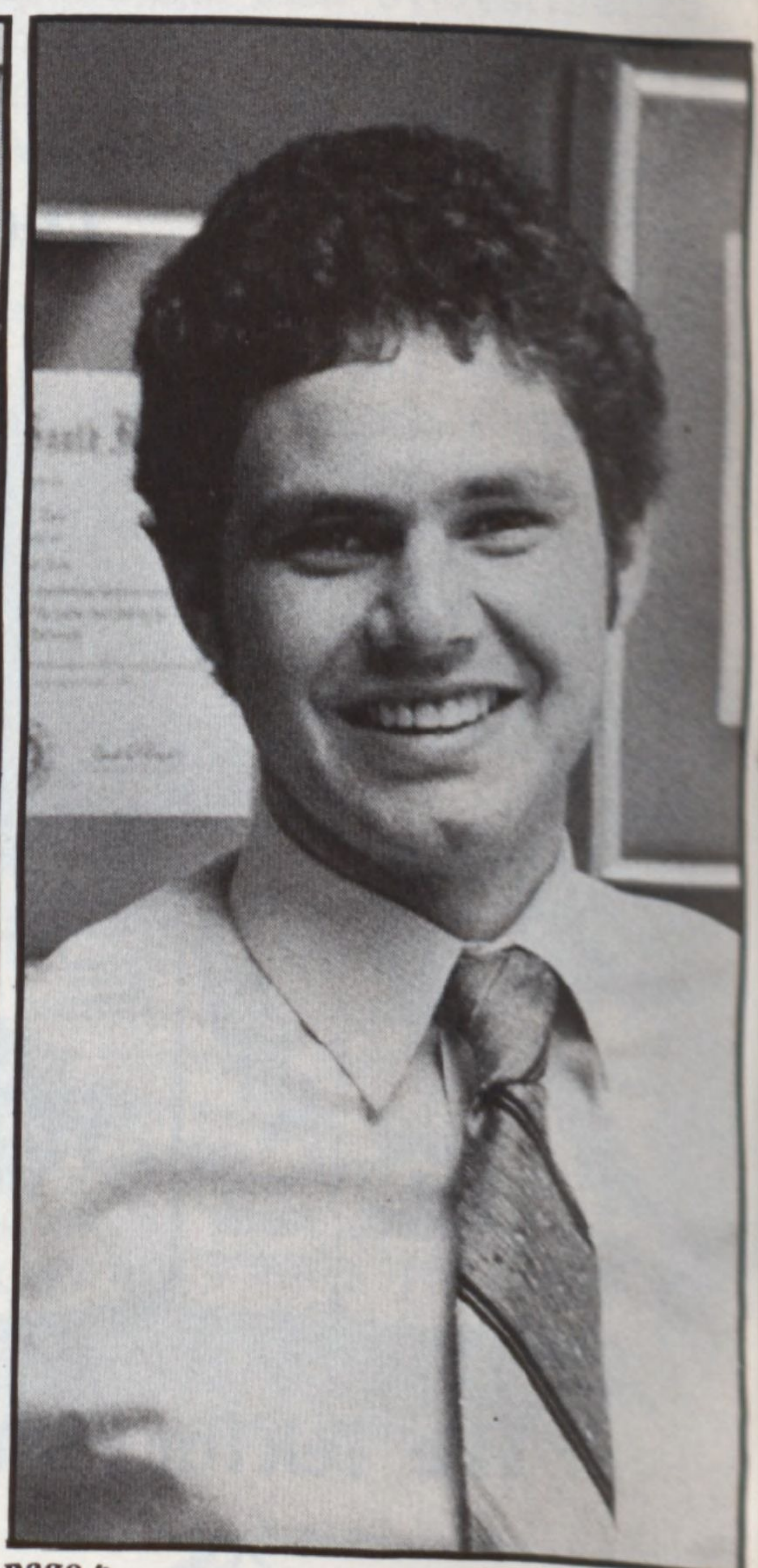
**Production Manager**, Donald E. Wheeler

**Production Coordinator**, Sharon Milburn

**Editorial Secretary**, Mary Young



page 14



page 6



## features

- 6** **Young, on his own, slightly unorthodox, and #3 in Volvo sales.**  
Miami dealer Warren Zinn is only 25 years old, but he and his sales results are making a lot of people take notice.

- 14** **Auctioning Off Excess Inventory.**  
A Georgia dealer went the auction route to cut his inventory, and the experience was a lesson learned.

- 28** **F&I—Can It Work In Bad Times?**  
It's a controversial subject, but read and decide for yourself.

- 40** **Selling Fuel Economy To Sell Trucks.**  
A respected consultant says truck dealers can show their customers—in clear dollars and cents figures—why they should buy "today's truck."

## departments

ADA Commentary .....	1	The Service Department .....	39	Auction Block .....	50
Executive Notes .....	2	Used Cars .....	44	Legal Briefs .....	52
g Rigs .....	21	Tax Brakes .....	46	Advertisers Index .....	54
elling Yourself .....	22	On The Hill .....	49	Showcase .....	56
onomic Outlook .....	24				

Copyright © National Automobile Dealers Services Corp.  
A membership applied for—September 1978

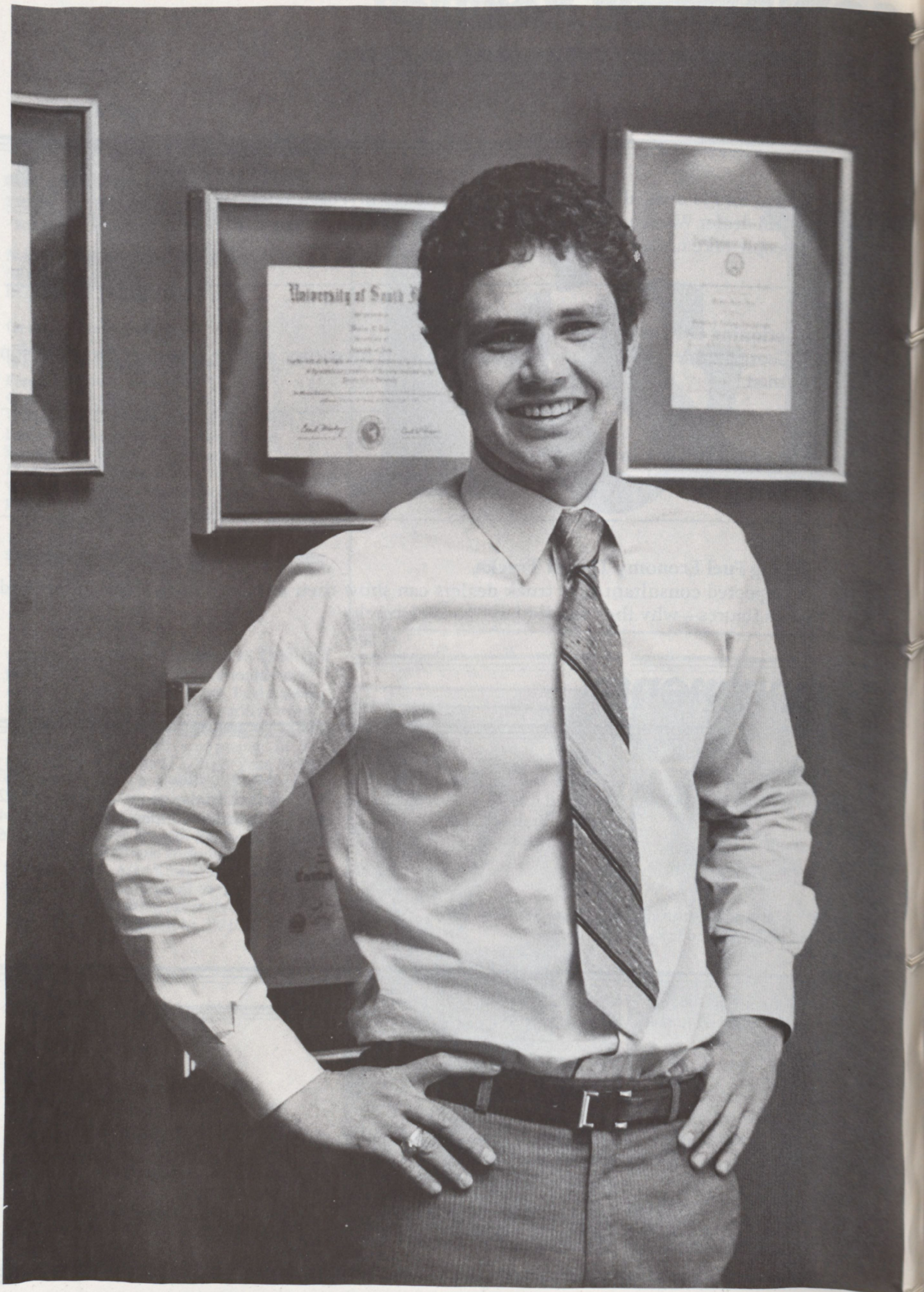
**ADVERTISING OFFICES**  
**National Advertising Manager**  
Susan V. Brennan  
400 Westpark Dr.  
McLean, VA 22102  
(703) 821-7160

**Eastern Sales Representative**  
Bernard P. Gold  
Alliance Publishers  
Representatives, Inc.  
8 West 44th St.  
New York, N.Y. 10036  
(212) 840-6220

**Midwestern Sales Representative**  
Jon Kaufman  
Publishers Marketing Group  
P.O. Box 343  
Prospect Heights, IL 60070  
(312) 673-1351

**Western Sales Representative**  
Len Ganz  
Len Ganz & Associates  
15431 Vassar St.  
Westminster, CA 92683  
(714) 898-1035







# Young, on his own, slightly unorthodox and #3 in Volvo sales

In 1955, Nikita Krushchev emerged as the dominant leader in Russia, the Federal Republic of West Germany became a sovereign state, America's two largest labor organizations merged, and many of today's auto dealers were just establishing their fledgling businesses. The number three Volvo dealer today, though, wasn't paying attention to any of that. He was less than a year old.

Warren Henry Zinn, the president of Warren Henry Motors in North Miami, Fla., certainly has youth going for him, but he also has better than 13 years experience in the automobile business. He's been a dealer for three years, sole owner for almost two, and he's understood what a closing of business is since he was six.

When Zinn's father decided to make the move from used car salesman to dealer in 1965, the senior Zinn took on the very first Toyota franchise in the state of Florida. It was, in those days, a do-it-yourself dealership.

It was an era, however brief, when people thought the name Toyota had something to do with a camera or a watch, and it was a time when 36 cars sold in the dealership in its first year was reality.



Dave Zinn the dealer was also Dave Zinn the service manager, and his son, young as he was, had a lot to do with setting up the parts department. As the now-Volvo dealer remembers, "There was only one model—a four door—I think five colors, and two transmissions. There was no air conditioning available until my dad had the mechanics put together air kits."

"When I used to tell my dad back then," Zinn says, "that I saw a Toyota on the road some given day, he'd say, 'What color?' I'd say,

for instance, 'Green,' and he pretty well knew who it was. It was—at the time—a very small business."

Over the years, Zinn worked for his father in just about every capacity: the lube man, front end man, parts manager, service manager and service writer positions comprise just a part of his resume. He worked his first auto show when he was 12, and soon after, he became a mall show veteran.

"I was always put in areas," Zinn says, "where, for whatever reason, there was a void. I was last a sales manager at my dad's store and, except for getting involved with the accounting, I just about did it all at one time or another."

Zinn attended the University of South Florida and then, for the training and experience he wanted in accounting and business management, he enrolled in a program at Northwood Institute, in Michigan. He says the courses there have a lot to do with the kind of dealer he is today. "There is no doubt about it," he says, "the place exposes you to a tremendous amount of information and ideas. It totally expanded my thinking on what could be done. Business systems, accounting, management ideas . . . I thought it was a tre-





Whether it's a service problem that crops up or a sales problem or whatever, 25-year-old Zinn is usually involved in its solution. "Involvement," he says, "is the point I think some dealers miss."

mendous school. Some of my teachers were high-ranking officials at some very large and international companies like Dow Chemical, and others were retired auto men, both factory and retail, who had amassed impressive records of achievement during their careers.

"People always ask me," says Zinn, "things like, 'How do you feel with your name on the outside of the building?' Well, in truth, it really doesn't phase me whatsoever. I do like it when I drive down the street and I see my name on the back of a car. But otherwise, being in the position I am doesn't overwhelm me or impress me.

"But this is what I've always wanted to do. I've always thought I would be better at this than at anything else I could do in the world. I knew I had potential. I consider myself a salesman, a leader, and a listener, and I think I have the capacity to want to do something about people's problems.

"Sometimes when you look at the dollar amount that you're responsible for, it makes you pause, and maybe that was a little more the case when I was 22. But it's never been something I've given much thought to. I've just always had confidence I could make it. There's never been a second thought in my mind that it was going to be any other way but up. I never thought of anything coming down and it never did until last April and May, when the interest

rates were so high."

Zinn says he realized what was happening to dealers all across the country, "but all I could think of was it shouldn't be happening to me. You can't control everything, but I felt we *had* to put in more work to try and get things right. Bearing down is usually the answer."

It is hard to imagine anyone working harder than Zinn. He has found old habits hard to break, and he is still, in baseball parlance, a "utility player." Even though his Volvo sales total stands at about 800 and counting, and even though he also sells Mazda, he takes time to fill in on the front lines when he feels he needs to. If one of his service writers doesn't come in, Zinn likely will be found behind the counter. When his service manager goes on vacation, he sits in *his* seat. And when the sales manager is on *his* day off, Zinn shifts again.

Zinn admits, "There's not enough time for anything," but he doesn't spend a lot of time in his office. "I get as much work done as I can at night," he explains, "and at different times in the day. The rest of the time I spend on the sales floor, and walking around the dealership. I feel I fill the role of the dealer by involving myself in the *operations* of the dealership. And I think involvement is the point that some dealers miss."

The 25-year-old dealer says he's able to close a good amount of deals and keep customers who have complaints a little happier "... because they know, since they see me here all the time, that I'm going to act responsibly toward them. They *might* not know that I'm the dealer, but even then they remember that they see me here and they know that if they have a difficulty or feel they're not being treated properly, they can call me. I'm here, and I'm going to be here—on this corner—for quite some time. And that does give my customers an added amount of confidence.

"At another store, a salesman or a service writer can make a promise and not even be there the next time a customer comes back. As far as I'm concerned, there's no doubt there's a clear difference in the kind of results you can expect from these two contrasting ways of doing things."

Zinn says a situation that just cropped up recently is a good illustration of what he's talking about. One of his customers was slightly disgruntled—a situation Zinn characterizes as a communications problem—so the dealer listened, took his customer to the service department, and with the car on the lift, the old parts on hand and the mechanic and the service advisor present, he explained to the customer the work that was done and why it was



necessary.

"The situation threatened to become a runaway negative," Zinn says, "but it got taken care of and it was done in the proper manner. This business is far from foolproof, so there are always going to be problems. But as long as there's someone here to take care of the problems *quickly*, they don't turn into monsters. People who try to avoid or ignore the problems find they just get bigger and bigger."

The Miami dealer feels that if there is a single key to his success, it is that he's wrapped up in the total operation. "I'm really concerned about what happens here and about what my customers and employees need," he says, "and I think that's contagious. It gets reflected in the attitudes of the 26 people on my staff. They know their customer is going to get a fair shake, and it makes them more comfortable. They know they don't have to run away and hide at any particular time. According to what I hear, the opposite may be true in some other dealerships, and the dealer is often not even aware of it. It proves to me that nobody runs an auto dealership like the dealer himself."

As relatively new as Zinn's store is, he figures an extremely sizable chunk of his business is due to the dealership's reputation. That is, most of his advertising is word-of-mouth, something he fosters in a concrete way.

"I really don't spend all that much running advertisements," he says. "I like to use T.V. when it's necessary to use T.V. But I don't have any mapped-out advertising plan."

"I spend a good amount of money in my service department on good will. We might decide, for example, that next month we're going to give away \$2,000 or \$3,000 to our service customers, and we'll stick to that figure within \$200 or \$300 either way."

"Perhaps you have a fella who has had a particular color car in the Florida sun for two-and-a-half years and he needs a paint job. Well, let's pay for half of that."

"The way I look at it, there are a lot of gray areas in the warranties that customers sometimes end up paying for that perhaps were totally out of their control. Take, for

# 3 Ways To Profit With Perma-Plate™

Coast-to-coast, new car dealers are making more profit with Perma-Plate™. We consistently outshine Polyglycoat and every other name in paint, fabric and rust protection.

Our products are **only** available through new car dealers.

Our service is the talk of the industry.

Our warranty performance is second to none.

Every way you look at it, new car dealers profit more from Perma-Plate™ products.

Start getting your share.

Call us.

**Toll Free (800) 453-8470**

**In Utah Dial 973-6755**

(Distributorships available in some areas)

## perma-plate™

Manufactured by Siskin Enterprises, Inc.  
1979 South 700 West, Salt Lake City, Utah 84104



# 1



**Perma-Plate Paintguard™ is the most advanced paint protectant in existence. And we stand behind it with a full five-year warranty!**

It utilizes a special catalyst to penetrate the paint pores and form a permanent bond. The result is an extremely high gloss finish that never needs waxing because it never fades or oxidizes. It even repels surface dirt, tars, road salts and other corrosives. Perma-Plate Paintguard™. A profitable, easy-to-sell option for any new car dealer.

perma-plate **paintguard**™

(Sold only through new car dealerships.)

instance, a man who took good care of his car, the car's in immaculate condition, he's got 30,000 miles on it and the speedometer breaks down. Now what did he do to deserve that? He's a good customer; he sent me a good bunch of customers. Buy him a speedometer cap; give it to him. We do it quite often."

Zinn says he thinks the charge that fewer than a lot of people are happy with automobile service is just too true. Take the car away from them, he says, and you take their legs away from them.

"When's it going to be ready? I can't get here, I can't get there, I can't do this or that.' People still have the attitude that they bought the car and that was a big expense and they don't want to spend any more money on it the rest of the time they have it. 'How come it's here now? Why is it here?'"

"One of the biggest things I think you have to try to do is keep the customer from having to come back to the dealership. My attitude is, keep your customers on the road. If we have a particular problem we can't handle, I'll have to give the customer a car and let him drive it. Because, as long as he's on the road, able to perform his job or whatever function he has to perform, it's not like you've amputated him. I mean, you take away someone's freedom of mobility, you have just destroyed him completely."

Zinn says that if he gets a call from a customer who has broken down on the road, particularly if it's an especially good customer or someone who has just taken delivery, he'll go out with the mechanic to the car if he has the chance.

"I go there to console the customer," he says. "We'll try to fix the car on the spot, and if we can't, we'll give the customer my car for the rest of the day. That is really appreciated by people, and you can't imagine to what degree. If you do something like that just one time, you may have that customer for the rest of your life. People are not used to dealing with the dealer principal in service, parts, or sales on a daily basis, and when they can, it pays off for that dealer. That's just one of the things I learned from my father."

Zinn says he feels very indebted to his dad for the experience and



knowledge he gained from him, but he makes it very clear the Volvo and Mazda stores are his responsibilities and his alone. The two began the enterprise as partners, but the younger Zinn quickly bought his father out with profits he and the business generated, and from the start, it has been his to make or break.

In the beginning, "making it" was less than a cinch bet. According to Zinn, Volvo was "in the dumps" in the Dade County market when Warren Henry Volvo came on the scene, and the dealership's first year was spent in an old building located right in the midst of the ghetto—a really depressed area.

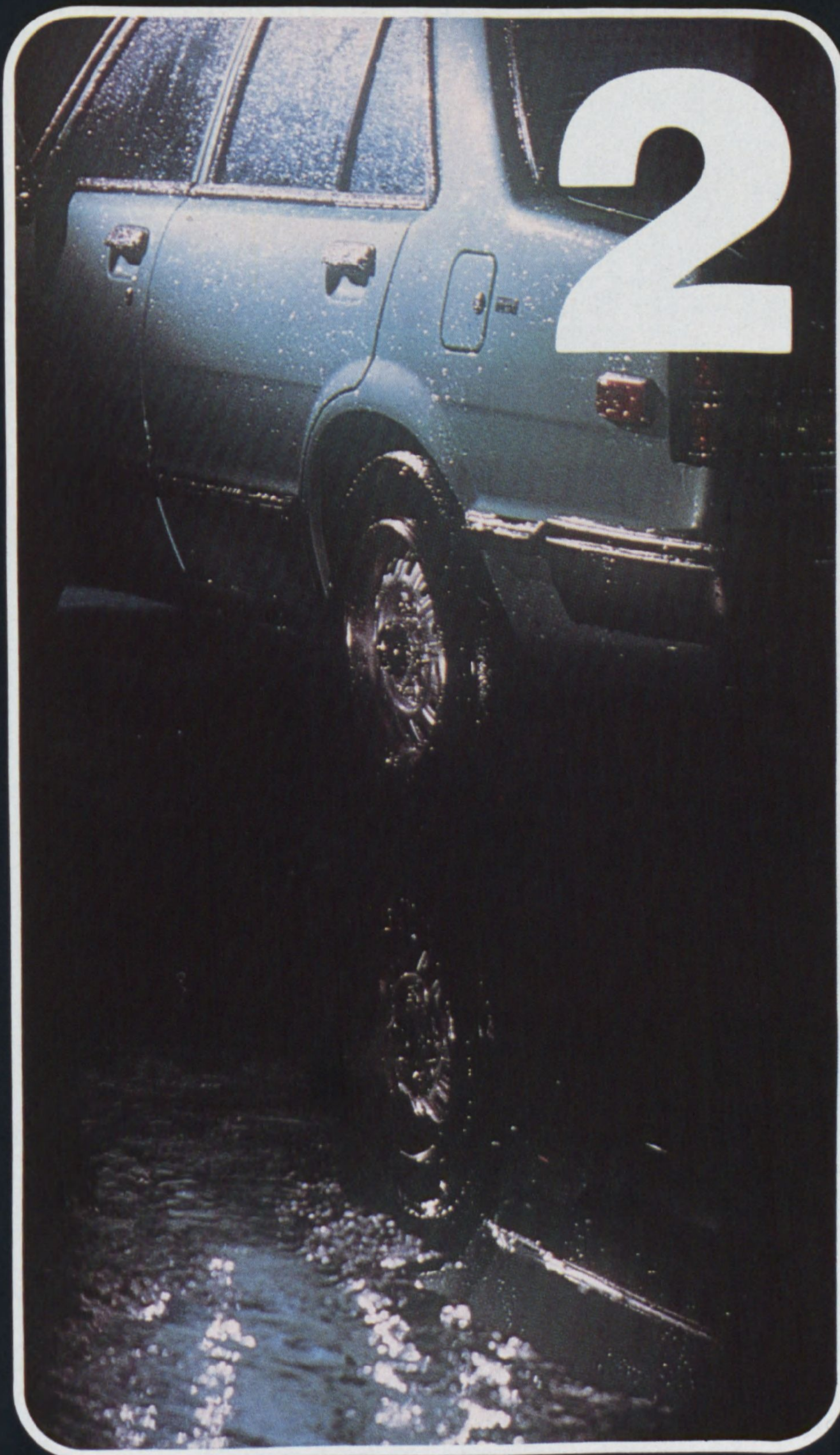
When mother and father and employees and relatives moved the dealership's assets to the new facility about a year later, only the service and parts area was ready to go. But from a trailer, Zinn and his people sold 40 and 50 cars a month.

Probably in part because he knows what he's doing, Zinn appears to have no problem handling or motivating—or keeping the respect of—the people who work for him. Two of his six salesmen are ex-dealers in their 60s, and their boss likes that. He says he wants people who have—whether they're experienced in the business or not—a strong desire to work, especially if they don't really need to.

Pointing to one of his men, Zinn says, "Brad's the kind of man who'd like to die behind the desk writing a deal. He lives the automobile business. He'd like nothing better than to come here every day."

"That's what I want. If someone doesn't have a load of experience, but he's a mover, I can help him, and mold him more easily, in fact, to what I want him to be. What I don't want is someone who's totally inflexible. I can't live with that."

The youthful dealer admits that some people in the industry may have, a couple of years ago, regretted the fact that he was "too young," but he says, "Everybody tries on everybody for size, and if it's done in the right way, there's a mutual respect that comes about eventually. All I know is, nobody



**Perma-Plate Rustguard™ & Soundshield is guaranteed to seal every critical inch of a new car against rust—for life!!!**

**It's a profitable option for the buyer because his car lasts longer, looks better, holds its resale value.**

**Profitable for the dealer, too, because it offers a comfortable profit margin and no warranty hassles.**

**Give your customers the kind of new car protection they want.**

**Perma-Plate Rustguard™ & Soundshield.**

perma-plate **rustguard**™

(Sold only through new car dealerships)



# 3



Perma-Plate Fiberguard™ keeps cars looking brand new inside. Its unique formula enters the fabric and seals the individual fibers against dirt, stains and spills.

Yet it leaves the fabric weave open, allowing it to breathe and retain its new car softness.

Perma-Plate Fiberguard™ even extends the life of the car's fabric and carpet.

Pour on the protection...and profit!

Don't sell a new car without it.

perma-plate **fiberguard**™

(Sold only through new car dealerships)

can tell me I don't have the seasoning, and nobody can tell me I don't know my automobiles."

What Zinn has is a new, but well-oiled and well-coordinated operation. "I have many, many customers," he says, "who own two and three cars, maybe all Volvos and Mazdas. Their relatives and neighbors might have them too, and I'm not going to let any of us forget that. I want to keep this thing going.

"I want to keep that customer coming in for service who I've sold cars to for years, and I want to have him feast his eye on that car on the floor so I can get together with him and put a deal together while his trade-in, a car I've kept in good condition for him, is here.

"If I've got a customer who's had a major repair, I want to steam clean his engine. And if he's spent a lot of money and we're not full of deliveries, we'll have that car washed and waxed. And there's more than one reason for that.

"I might have noticed, for instance, that this customer has a habit of not washing or waxing his car, and I want that car in good condition when I get it here on my used car lot. I don't want the paint to be faded. I don't want to have to paint it after he trades it in."

Zinn says one attitude he's always going to have is, his most popular seller is what he has the most of. And when he does advertise, he moves what he has by talking about *price*.

"When people think of a Volvo," he says, "they think of a very expensive car. And when you tell people they can get into one for what we quote, they're quite surprised. It gets their attention. And it seems like it's a good complement to the other ways we get people in here."

Warren Henry Volvo does a wholesale parts business that averages about \$40,000 a month, and parts as a whole does about \$100,000 during that period.

That in itself would be "a pretty nice little business," says Zinn, but there is no doubt what the hub of the Volvo-Mazda operation is and will be: "trying to keep things on a personal basis, and doing everything we can to keep customers coming back for parts and service and when that time comes, the second sale."

Æ



# One person with an Oakleaf is a complete profit center



complete. That's the best description of the Oakleaf Auto Dealership Computer.

First, the Oakleaf Sales Prospecting Program turns your Oakleaf into the perfect personalized letter writing system, aggressively pursuing your best prospects... prior customers. Next, your Oakleaf ties directly with TRW, CCC, CBI or any other credit bureau for an up-to-date credit report.

Your Oakleaf will then help you figure the best deal possible, with full F&I included at the touch of a button. Typing the contract and all the dozens of other forms is done *immediately* by your Oakleaf, with complete accuracy and a professional appearance.

It all adds up to showroom traffic, increased sales, accuracy and a successful professional image. Could you use these things in your dealership?

The Oakleaf Auto Dealership Computer is backed by Oakleaf & Associates, Inc., a national corporation with offices in all major population centers. Oakleaf takes responsibility for manufacture and programming

and maintenance, for your security. Continuing research and development also makes today's Oakleaf computers compatible with tomorrow's advances. It's safe to buy an Oakleaf.

For more information on the profit potential of the Oakleaf Auto Dealership Computer, or for the number of your local Oakleaf representative, call Barbara Jennings, National Marketing Department, (213) 989-5989.

Or send this coupon today.

<b>oakleaf</b>		14600 Titus Street	AE
Oakleaf & Associates, Inc.		Panorama City, CA 91402	
Your name _____			
Dealership _____			
Address _____			
City _____			
State _____ Zip _____ Telephone (    ) _____			





# AUCTIONING OFF EXCESS INVENTORY

**I**t's a common problem for dealers these days. They have too many slow-moving cars in stock, and attendant sky-high floor plan costs are eating up profits generated by the units that do sell.

W. R. Hutchinson, who owns a Ford-Mercury franchise and an Olds-Pontiac-GMC deal in the small Georgia town of Thomson—some 30 miles west of Augusta—was facing the same situation. The enterprising young Hutchinson, however, isn't the type to just sit around and complain about such problems. He decided to try something different. He selected 200 new and used vehicles out of the combined inventories of his two Thomson dealerships, put them up for auction one recent Saturday, and invited the general public to take part in the festivities.

How did Hutchinson's brain-child turn out? Well, as is usually the case with any out-of-the-ordinary venture, there were pluses, minuses and—probably most important—some valuable lessons learned.

Speaking candidly, Hutchinson and his staff members expressed some disappointment that specific goals weren't hit, but they were quick to point out that their major objective, reducing inventory, was accomplished.

A few days after the auction was held, Thad Johnson, Hutchinson's general manager at the Olds-Pontiac-GMC dealership, sat down with AE for a "post mortem" discussion. During this frank and open talk, Johnson explained why the auction was needed, how it was put together, and what the Hutchinson people learned from the experience.

"First of all, you'll have to realize that we didn't face the same problems a lot of dealers had in the last two quarters of 1979," began Johnson. "We were doing a tremendous business for this market right up through the end of the '79 calendar year. The last six months of the year were better than the first six months . . . we sold 117 new cars in December when everybody else was practically at a standstill."

One reason for the boom at Hutchinson's two Thomson stores during the wrap-up months of the year was the ability of each of the dealerships to penetrate the large *Augusta* market by wielding the great persuader—lower prices.

"Between 60 and 65 percent of our new car sales were made to customers in the *Augusta* area," Johnson said. "We were able to sell

our cars sometimes \$200 to \$300 less than the city's own dealers could."

All that changed with the new year. Larger cars that had been selling well for Hutchinson came to a virtual halt, but the escalation of his floor plan rates continued to march on.

"We found ourselves in the same boat the *Augusta* dealers were in," Johnson went on. "We had to start toning our operation down. . . . We just couldn't continue to carry heavy inventories and keep giving our cars away. Instead we now have to use a smarter, sharper angle on the market."

The key to the situation, Johnson and the other Hutchinson managers knew, was smart new-car inventory control. The quick shift in buying patterns, however, had thrown the proverbial mon-





The auctioning of his Ford-Mercury and Olds-Pontiac-GMC stores' new and used merchandise, says dealer W. R. Hutchinson, was not in itself successful. But he says the attraction of the auction helped him sell many cars outside the auction barn.

wrench into their inventory control systems.

"All of a sudden, cars that had been selling well just 120 days before weren't selling anymore," Johnson explained. "At our GM store, we had about 145 new cars in stock and we consider 100 to be a ideal inventory. The Ford store wasn't quite as bad. They had 60 in stock and like to carry 50. This is why we decided to have the auction. We figured if we could reduce our inventory some 25 to 30 units at the GM deal and 15 to 20 at the Ford store, the auction would be a success."

One determining factor in going ahead with the auction idea was the availability of an auction facility at a very reasonable price.

"We were in an advantageous position as far as the auction grounds went," Johnson pointed out. "Dave Ware, the general manager overseeing both our dealerships, also owns the Thomas Auction Co., so we were able to rent it at a very low fee."

Johnson quickly added, however, that dealers who aren't in such a fortunate position shouldn't let the unavailability of an auction facility deter plans for any type of sale.

"I think an auction such as the one we held can be produced just as well right in the dealership. You can easily set one up in the service

department," he advised. "In addition to saving on rental charges, you can cut costs on the movement of cars that are going on sale. When you figure we used about three gallons of gasoline in each of the 200 cars we moved back and forth, that adds up to a substantial sum. We also had to pay two drivers to actually move the units and that added to the total cost."

As might be expected, the major expense was advertising. Johnson said \$5,000 was budgeted for ads that ran all week prior to the auction.

"The \$5,000 was for both stores, with the GM deal covering about 60 percent of it and the Ford deal paying for the remaining 40 percent," he said. "Seventy-five percent of the total budget went for television, although in addition to the two TV channels, we advertised on three radio stations and in one newspaper."

"If you think \$5,000 is a lot for our market, you have to bear in mind that we would have spent some of that ad money regardless, for just normal advertising."

Other arrangements that had to be made included hiring a professional auto auctioneer; insuring that representatives from General Motors Acceptance Corp., Ford Motor Credit Co., and the local banks would be on hand so financing would be no problem;

and inviting a limited number of wholesalers to buy the used cars and trade-ins.

With regard to the actual operation on the day of the sale, gates to the auction grounds were opened at 9 a.m., with all units on display for pre-auction purchase. A registration office was open to all prospects so they could voluntarily register to take part in the bidding. Each registrant was given a numbered card on which he or she listed personal information; the card also carried the appraised value of any possible trade-in units the registrant may have had. The auction itself got underway at 1 p.m.

"We, of course, reserved the right to reject any final offer on a car going through the auction lane if the bidding was too low," Thad Johnson explained. "We had a net figure on our inventory books for each unit and we wouldn't accept any price lower than that figure. Any of our hotter selling cars—Cutlasses, X-cars, any of the small cars—were to be handled just as they would be on the retail lot."

Was the auction a success? Johnson answered that question in two parts: "As far as the auction itself went, no. It wasn't a success. But the attraction of the auction was a success because we sold cars outside of the auction barn in the display area." →





A ringman is used by many auctioning teams to help the action—and the bids—speed along.

With a double answer such as that, you have to wonder where the pluses and the minuses fell and what were the reasons for each. Johnson talked candidly about both sides of the coin.

"We should have planned to display the cars for a longer period," he said. "We displayed the units only that morning and again in the afternoon following the auction. I'd suggest that anyone who is considering an auction like ours put the cars on display for two days prior to the auction and a day afterwards.

"Another mistake we made was not making it mandatory for people coming through the gates to log in. The way we conducted it this time was, people could register voluntarily after they got inside. Only 35 people signed up in the office, and even though we know that *they* are serious buyers, we would have had a lot more prospects if we had used a mandatory sign-in procedure."

As for the disappointing showing in the auction barn, Johnson said he thought that could be remedied by the selection of the auctioneer.

"We had only one auctioneer and that was a mistake," he said bluntly. "We should have had two. And let me add this—the average person just can't comprehend the

fast pace and rhythm of a professional auto auctioneer. Those of us in the automobile business who attend car auctions understand what's being said, but the general public can't. People at the auction were hesitant to bid because they weren't sure what was going on. We had comments afterwards that there might have been more business if we had used an 'old-time' public auction caller who spoke slower and more clearly."

On the "plus" side of the ledger, you have to view the event's final tallies this way:

- Under present market conditions, Saturday business would normally yield anywhere from four to six new car sales at Hutchinson's GM outlet, and something less than that over at his Ford store. With the auction activity, however, buyers signed up for 19 units offered by the General Motors dealership, and they bought seven from the Ford outlet. After credit turndowns, the final tally was 17 and six, respectively.

- Ford store sales resulted in F&I deals with all six of the approved buyers, and six others—28 percent of those who purchased offerings from the GM dealership—elected to finance through the dealer.

- A combined total of 35 new prospects were uncovered for

Hutchinson's sales force to contact.

- A number of residual possibilities have come to the surface as interested parties have been calling both dealerships to inquire whether any of "those auction cars" were still available.

Even with the added expense involved in putting the auction on and the less-than-overwhelming results, Hutchinson and his people said they felt they were better off because of it. One reason was that every car sold was sold at a profit. "We didn't sell one of them short," said Johnson. "If people had been willing to bid when the cars came through the lane, we were prepared to take prices down to our net figure on many of them. The way it turned out, we actually made money on all sales."

The main reason, however, that the production was looked upon as a success was the savings in floor plan interest.

"Looking at the whole picture," Thad Johnson analyzed, "we probably broke even as far as expenses compared to profits go, but we reduced our inventory by 25 units, and any car man knows the manufacturer would have been charging us \$1,000 to \$1,500 a month interest on those units if they were still in stock."

Was the effort successful enough to consider doing it again?

"We'll do it again at another time," Johnson said without hesitating. "But we'll do it with the changes we found out we need to make. . . . The idea of the auction itself is good if it's studied and worked right. I'd recommend it to a dealer who has a high inventory and wants to reduce it. Of course, he'll have to be able to justify the cost. By 'justifying the cost,' I mean that the reduction in inventory will have to offset the expense of advertising, and setting up the auction itself, and all the additional costs. And you might have to shorten deals on some of your stock. The way I see it, it's like the FRAM oil filter commercial on TV says: 'Pay me now or pay me later.' That's what it's really all about. Do you want to keep paying interest on those cars, or do you want to move them?"

Obviously, W. R. Hutchinson and his people wanted to move them.





If your credit world  
is full of fair-weather friends,  
here's good news.

## Ford Credit.

Ford Motor Credit Company started over twenty years ago with the kind of full-service financing that's helped make businesses like yours all over the country grow and prosper. And throughout those years, we've maintained a pretty important principle . . . to be there when you need us, in good times or bad, through the economic highs and lows.

Because we believe that's what honest-to-goodness credit support is all about.

For more information about full-time full-service credit support, just call your local Ford Credit Branch. You won't get any high pressure, but you just might find out who your real friends are.

**Ford Motor  
Credit  
Company**







## **CARSWAY**

IN-HOUSE COMPUTER SYSTEMS

### **BEFORE YOU BUY A TOTAL COMPUTER SYSTEM COMPARE CARSWAY IN-HOUSE**

- CARS, INC. has been providing Management Information Services to the automotive industry since 1964. Deal with the Company you can trust: Dedicated automotive people for an ever changing marketplace.
- CARSWAY provides the most modular equipment available. This leading edge technology allows you to expand your total capacity, capabilities, and volume needs.
- CARSWAY offers access to your Management Information at the touch of a button. Daily Operating Control reports are available within minutes of

document entry completion. You process or produce accounting reports, payroll, and parts stock orders immediately with no system interruption.

- CARS, INC. has offices located throughout the world and our service locations in North America number in the hundreds. We provide the fastest response time in the Industry.

- CARSWAY IN-HOUSE offers Accounting, Parts Inventory Control, Sales and Service Merchandising, Payroll, Letter Writing, and Manufacturer Communications.

**CARSWAY OFFERS YOU THE ULTIMATE IN SPEED,  
RELIABILITY AND EXPANDABILITY. THESE FEATURES ARE BUILT-IN  
CARSWAY STANDARDS AND ARE ONLY OFFERED BY CARSWAY.**

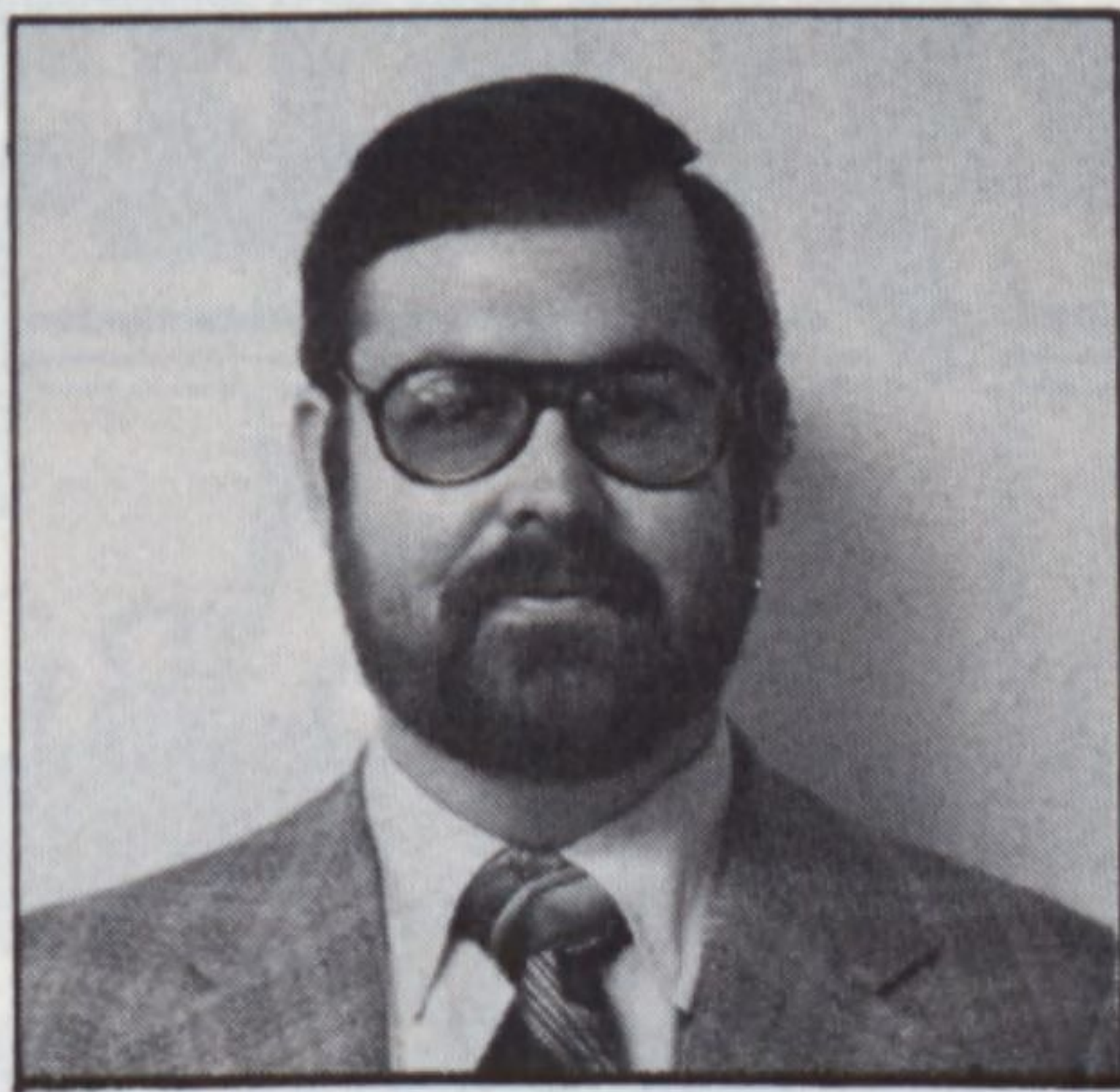
**CARS**

P.O. Box 235  
Birmingham, Al. 35201

FOR MORE INFORMATION:  
Call Collect Today: 205/956-7600  
William L. Gaines, V.P. Marketing  
In Canada Call: 416/276-8858



# THE BIG RIGS



Pat Close

**B**oth the Carter Administration and Congress continue to drag their feet with respect to providing the truck industry with much needed relief. During his recent Detroit address, the President offered a tidbit in the form of SBA guaranteed loans. Carter also promised to meet with automotive industry representatives to "study" the problem. This could produce benefits in the long term, but it doesn't address the immediate problems.

The President has repeated his position that no tax credits will be offered this year. With only a few short weeks left for Congress before they hit the campaign trail, it seems doubtful that they will generate their own tax cuts.

We have embarked on a legislative program designed to educate and persuade both the Administration and Congress that action is needed *now*. ATD has launched a letter-writing campaign asking the law makers to provide a tax credit in the form of a repeal of the Federal Excise Tax—the 10 percent levy on trucks and the 8 percent assessment on truck parts. This World War II-era tax continues to put the medium and heavy-duty truck industry at a disadvantage in a dismal economic environment, and it's time Congress responded to the needs of the transportation industry.

What do you think would happen if the average price of every truck sold was reduced between \$3000 and \$4000? All of us, I think, agree many more people would be willing to make a capital expenditure for the commercial truck. And the FET repeal could do just that.

This year has seen the truck market fall to new all-time lows. Our forecasters put the total '80 production figure for trucks at 2.5 million, down nearly 1 million units from 1979! If it holds true, it means an increased number of dealership failures and continuing economic decline.

Last year, truck customers paid \$1.2 billion in excise taxes on new trucks, parts and accessories. In turn, most of them passed their costs on to the consumer in the form of higher rates. Nobody is winning.

But the cost of the excise tax affects the dealer so greatly because it comes at him from so many directions. It's reflected in the floor planning costs attached to his slow moving inventory, since the dealer must pay the excise tax when he purchases the truck from the factory. It's reflected in the administrative costs of trying to comply with confusing IRS rules and regulations concerning the FET. And, it's hidden in financing costs of customers.

The truck industry contributes a great deal to the health of the economy. Yet Congress has not provided the industry a tax cut since World War II! And truck-related taxes have climbed yearly. The cost of truck transportation continues to rise very largely due to taxes that are fueling inflation,

lost production and unemployment.

We simply *need* a stimulus; we need a tax credit. We've proposed that it take the form of the FET repeal. We need some legislative action to get us out of the shape the government has put us in! The repeal will stimulate sales. It will put the truck industry back on its feet and it will ultimately benefit the consumer.

ATD strongly supports the Highway Trust Fund, but we don't believe the FET is the approach to take. Just a 1 cent increase in fuel taxes will generate the \$1 billion the FET now brings in. That seems much more fair, since all highway vehicles—both cars and trucks—will share the load.

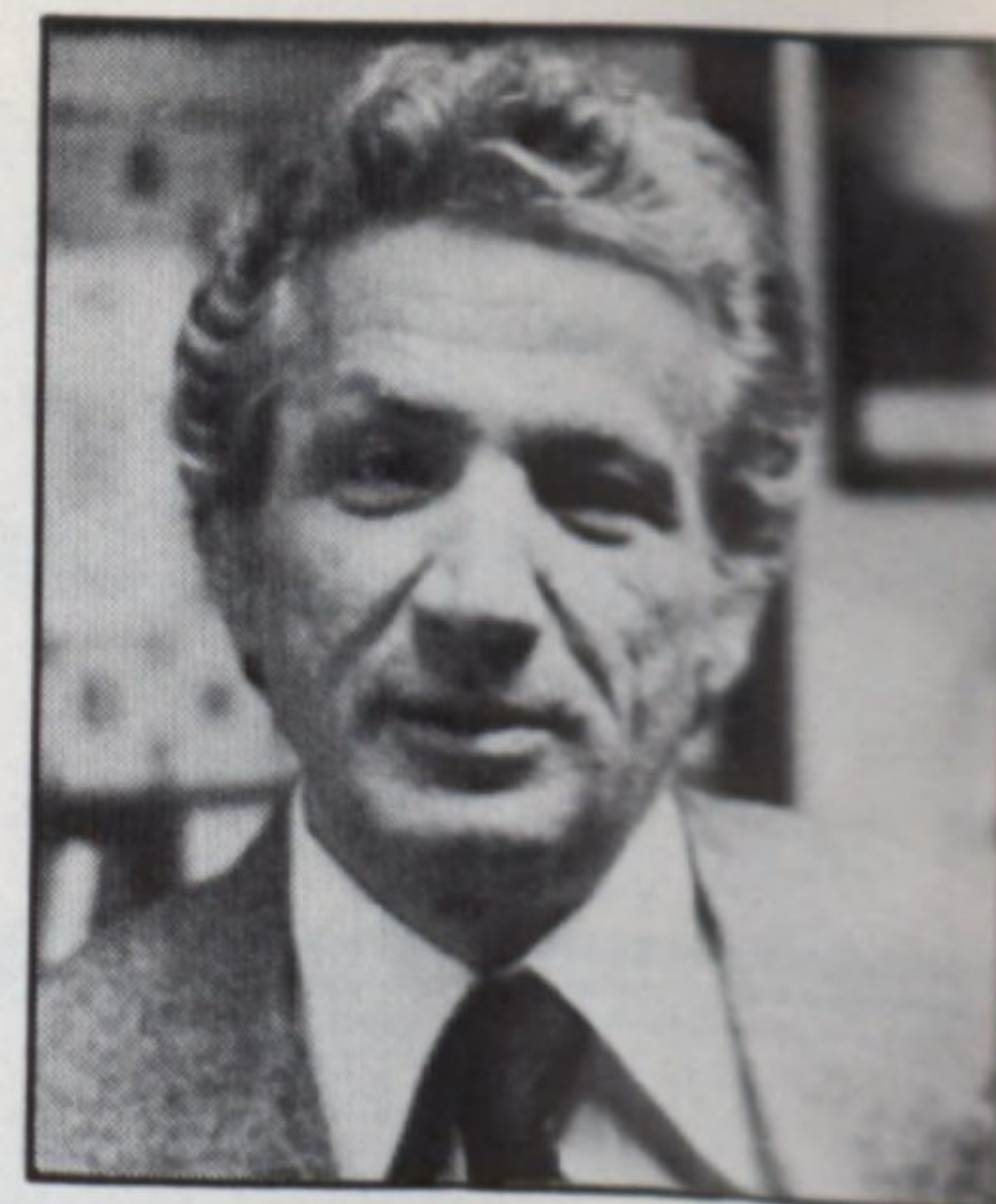
NADA President George Irvin, a Chevrolet dealer from Denver, Colo., called on the Administration last May to endorse tax credits and the FET repeal for the automotive industry. ATD Chairman Tom Egan, a Peterbilt dealer from Stockton, Calif., says the dealer body must mobilize and convince Congress this measure is needed since President Carter has backed off the issue.

The time is especially right for the FET repeal. I hope every medium and heavy-duty truck dealer will take a few minutes to write their Senators and Congressmen about this important issue. The truck industry is in poor shape. Both short-term and long-term solutions are needed. The immediate answer undeniably is repeal of the Federal Excise Tax. If truck dealers wish to remain businessmen, they will have to rally to this point. (See *On The Hill*, page 49, for a further discussion of this subject.) **AE**

This column is prepared exclusively for **automotive executive** by Patrick R. Close, director of NADA's American Truck Dealers Division. All inquiries should be addressed to: Pat Close, director ATD, 8400 Westpark Dr., McLean, VA 22102.



# Selling Yourself



Joe Girard

## A Lesson From Billy Fox

Since three weeks ago, Billy Fox hates me. This is because I won't listen to him anymore, which is really bad news since I figure I am one of the world's great listeners.

My troubles with Billy started on the golf course where Billy and I and two other guys play every Saturday morning, wives and weather permitting. Billy is a hot-headed hacker; sometimes he throws clubs and when he's deep in the trees, there are those who say he might help the ball along with his foot. Otherwise, Billy is a sweetheart.

What finally got to me is that for eighteen holes, Billy does all the talking and that talking is only about Billy and his game. The story never changes. Billy hits the ball into the water or some other evil place. First come the curses. Then he tells you what he did wrong to make the ball act like a wounded pheasant. Then he tells you how he'll correct the problem on the next shot.

Finally, the rest of us get a chance to hit our ball. If you should get lucky and whack out a good shot of your own, Billy says, "Good shot, Joe. Just like the one I hit on the fourth hole with my six iron, remember? I knocked it stiff to the pin." Even when you're playing your game, you're still playing Billy's game.

The other two guys and I finally worked up the gumption to tell

Billy to shut up a little, but we said it nicer than that. No sale. Billy walked off the tee right to his car and burned rubber out the driveway.

If you agree with my feelings about Billy and if you are a believer in capitalism, here's an idea to help you succeed as a salesman, husband, wife, golfer or whatever. Have faith in the theory of supply and demand. There's always an oversupply of talkers and a shortage of listeners. Always go for the shortage. Corner the market on listening. Believe me, you'll have no competition. Everyone else is waiting for his turn to talk, trying to put his two cents in. You'll be trying to take them out.

I can prove it to you. Watch this. We've all heard people put down a guy by saying, "He talks too much." I've said it. You've said it. But did you ever hear someone knock a guy by saying, "He listens too much?"

I feel bad about Billy Fox. It's not like me to lose my patience. I guess it's just that I'm only human and sometimes I want my chance to talk. And I want someone to listen. But I know one thing for sure, Billy. Next Saturday when we walk out to the first tee, nobody's going to miss you.

\*\*\*

You've probably read about the advertising man who wanted to make a good impression, who was

out to sell himself, even as you and I.

He chose his clothes carefully. He shined his shoes mirror-bright. And he put on what he called his "sincere" tie.

Bunk!

There is no such thing as a sincere tie or suit or shoes or hat. The only thing that can be *sincere* is you.

If you want to sell yourself, sincerity must be one of your features. People can sense sincerity—or the lack of it. As a salesman, I can tell you what the feature benefits are.

Sincere people are those who always keep their promises. Those are the people who mean what they say. Those are the people you can trust without question. Sincerity is a trait that can be developed. If you feel you lack that quality, now is the time to work at it. But, remember, anything worth having does not come easy. You must keep at it constantly.

I know a young man who works in the service department of an automobile dealership as a write-up man.

A repair order is a promise. It promises to do the needed service and, in some states, it promises a "not to exceed" price. Write-up men also make promises.

"Your car can be picked up at 4 o'clock, Mrs. Brown," or "I'll call you if it's not ready and we hit a problem, Mr. Smith."

(Continued on page 27)

These columns are prepared by Joe Girard, named the world's greatest salesman 12 times by the Guinness Book of World Records, and syndicated through Allied Press International. All questions and comments concerning information included in these columns should be directed to API, P.O. Box 2291, Washington, DC 20013.



# RVIA DODGER/LOUISVILLE GETTING DOWN TO BUSINESS



Nov. 5-7, 1980

## DODGER

28th Annual Recreation Vehicle  
& Manufactured Housing Show  
Dodger Stadium—Los Angeles, CA

Dec. 2-5, 1980

## LOUISVILLE

18th Annual National RV Show  
Kentucky Fair and Exposition Center  
Louisville, Kentucky

### RV Industry Forum

Tuesday, November 4

Monday, December 1

### SHOW HOURS:

Wednesday, November 5 9 a.m. - 5 p.m.

Thursday, November 6 9 a.m. - 5 p.m.

Friday, November 7 9 a.m. - 1 p.m.

Tuesday, Dec. 2 through

Thursday, Dec. 4 9:00 a.m.-5:00 p.m.

Friday, Dec. 5 9:00 a.m.-2:00 p.m.

The 1980 RVIA Dodger/Louisville Shows will focus on the hard-choice challenges of the 80's.

Combined they offer nearly 2,000 units, one million square feet of RV displays, 350 supplier exhibitors, and the latest RV equipment and accessories for outfitting all models of RVs.

This year both shows will present the RV Industry Forum with nuts and bolts how-to seminars on: Energy and Recreation; RV Parts and Accessories Sales; RV Rental Business Potential with emphasis on Market Opportunity, Financing Rental Units, What should product be & how do you sell it?, How to get started, and the 1981 Business Climate. All this plus live entertainment and dealer hospitality parties.

The 1980 and the RV industry is Getting Down to Business. Don't wait. Call today for registration and exhibit information. Dodger/Louisville may be the most important industry shows you'll ever attend.

## And this year WE'RE GIVING AWAY A STORE

For the first time ever you can win an RV accessories store. Any dealer in attendance at Dodger/Louisville may enter and become eligible.\*

This fabulous store will be on display in Louisville and will contain:

- over \$30,000 in retail merchandise
- a 20'x40' store area manned by experts to tell you how to run a successful RV accessories store
- over 5000 items on display all with back-up items to start the winner off with plenty of inventory
- and a handy *Guidelines for Profit* booklet and other merchandising materials

It's the chance of a lifetime. Be a winner, call RVIA today.

### \*ELIGIBILITY—RULES AND REGULATIONS

1) Only bona fide RV or automotive dealers are eligible. 2) Only the "dealership" may win. 3) Dodger Stadium dealers must attend RV Industry Forum and fill in registration form. 4) Louisville dealers must fill in registration form in accessory store. 5) Winner will be drawn at random by impartial judges following Louisville show closing. 6) Winning dealer credentials will be verified prior to merchandise being shipped. 7) WDA is responsible for shipping and handling charges to dealer's place of business from Louisville. 8) Winning dealer is responsible for any and all applicable taxes. 9) Shelving and display fixtures not included.

## FOR ATTENDANCE & EXHIBIT INFORMATION CONTACT:

RVIA Western Region Office  
1748 West Katella, Suite 206  
Orange, California 92667

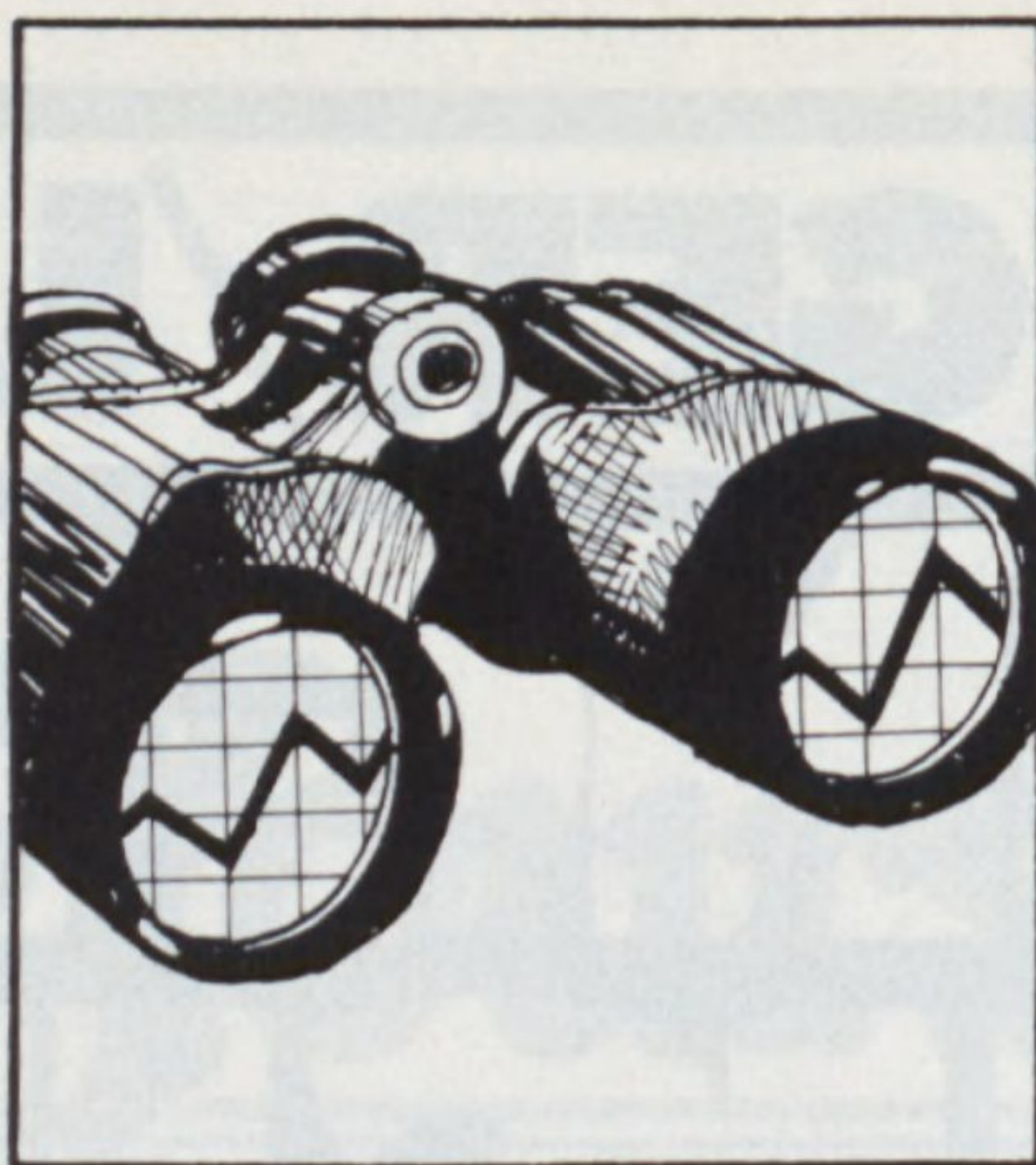


RVIA National Office  
14650 Lee Road  
P.O. Box 204  
Chantilly, Virginia 22021

714-532-1688 • 213-485-0254

800-336-0154 • 703-968-7722





## Housing—Watching Its Ups and Downs Can Help

To a large extent, the health of the U.S. economy is dependent on two basic industries—motor vehicles and housing. While dealers are well aware of the importance of the motor vehicle in providing jobs and income in our economy, of course, the importance of the housing industry is not as well known.

According to the National Association of Homebuilders, every single-family unit built generates 1.75 jobs, and every multi-family unit generates 0.83 jobs. These figures reflect *only* those jobs created through the actual construction of the house. They do not include the jobs generated by increases in appliance, auto, and other sales that come about after the house is constructed. These, too, are substantial. Because the housing industry does generate so much employment, it also generates a lot of income and is, therefore, a key determinant of new car and truck sales.

Housing is also, of course, a key determinant of the *pace* of the overall economy. In past recessions, housing has been one of the first sectors to turn down, with the decline in real residential investment typically beginning four quarters before the start of the recession. The current housing decline began five quarters before this particular recession started. Thus, the state of the housing industry can provide dealers with an important and reasonable indicator of the future course of the economy.

Dealers should be especially cognizant of the housing industry right *now*. Since it is unlikely that the automobile industry will pull the U.S. out of the current recession, as it did the 1974-1975 recession, housing will have to provide the extra stimulus, and it is expected to do so. It is important to remember, however, that housing starts, like car sales, vary significantly from one locality to another. So each dealer must monitor the housing industry in *his* area in order to determine how his dealership will perform in the months ahead.

### Causes of Housing Industry Fluctuations

As each economic expansion matures, interest rates rise. Rising interest rates cut into the housing

market from both the supply side and the demand side. With each jump in the mortgage rate, some people who previously could have afforded a mortgage no longer can. Thus, demand is reduced and housing starts decline.

Rising interest rates also reduce the supply of mortgage credit, because of mortgage rate ceilings and deposit rate ceilings. When market interest rates rise beyond the mortgage rate ceiling, mortgage lenders quite naturally cut back on the funds they supply to mortgage borrowers. When the market rate rises beyond the ceiling that banks and thrifts can pay on deposits, disintermediation occurs. That is, depositors withdraw their funds from savings and loans and other mortgage lenders in order to purchase financial instruments that pay higher interest rates. In each case, the supply of mortgage credit is reduced, and housing starts decline.

Since the last recession, however, there have been several changes on the demand and supply side of the mortgage market which have affected the way in which each responds to rising interest rates. On the supply side, mortgage ceilings (usury laws) have been removed by federal statute, and banks and thrifts have been allowed to pay higher interest rates on passbooks and to issue money market certificates at interest rates equivalent to those paid on 26-week Treasury bills. In addition, an increasing share of mortgage funds is now being provided by mortgage-backed securities, which are sold by mortgage lenders and guaranteed by the government. Because of these changes, mortgage credit has remained generally available throughout this downturn, in contrast to previous downturns, and as a result, the 1976-1979 economic expansion was one of the longest on record.

On the demand side, demographics caused the most significant change. The children of the baby boom are just now reaching their prime house-buying years. In conjunction with this strong underlying demand, an increase in the number of women entering the labor force has enabled more households to afford increasingly expensive houses. The consumer's ability to purchase these houses has also been enhanced by the availability of new types of

(Continued on page 27)



# We've put it all together so GM Dealers can do it all.

General Motors Acceptance Corporation practically invented automotive financing. When we set up shop over 60 years ago, car financing was almost unknown.

Since then, thousands of GM Dealers (and millions of new-car buyers) have come to depend upon GMAC for their financing needs. As a matter of fact, we've extended more automotive credit than any other financial organization in the world. That makes us your most experienced automotive credit source.

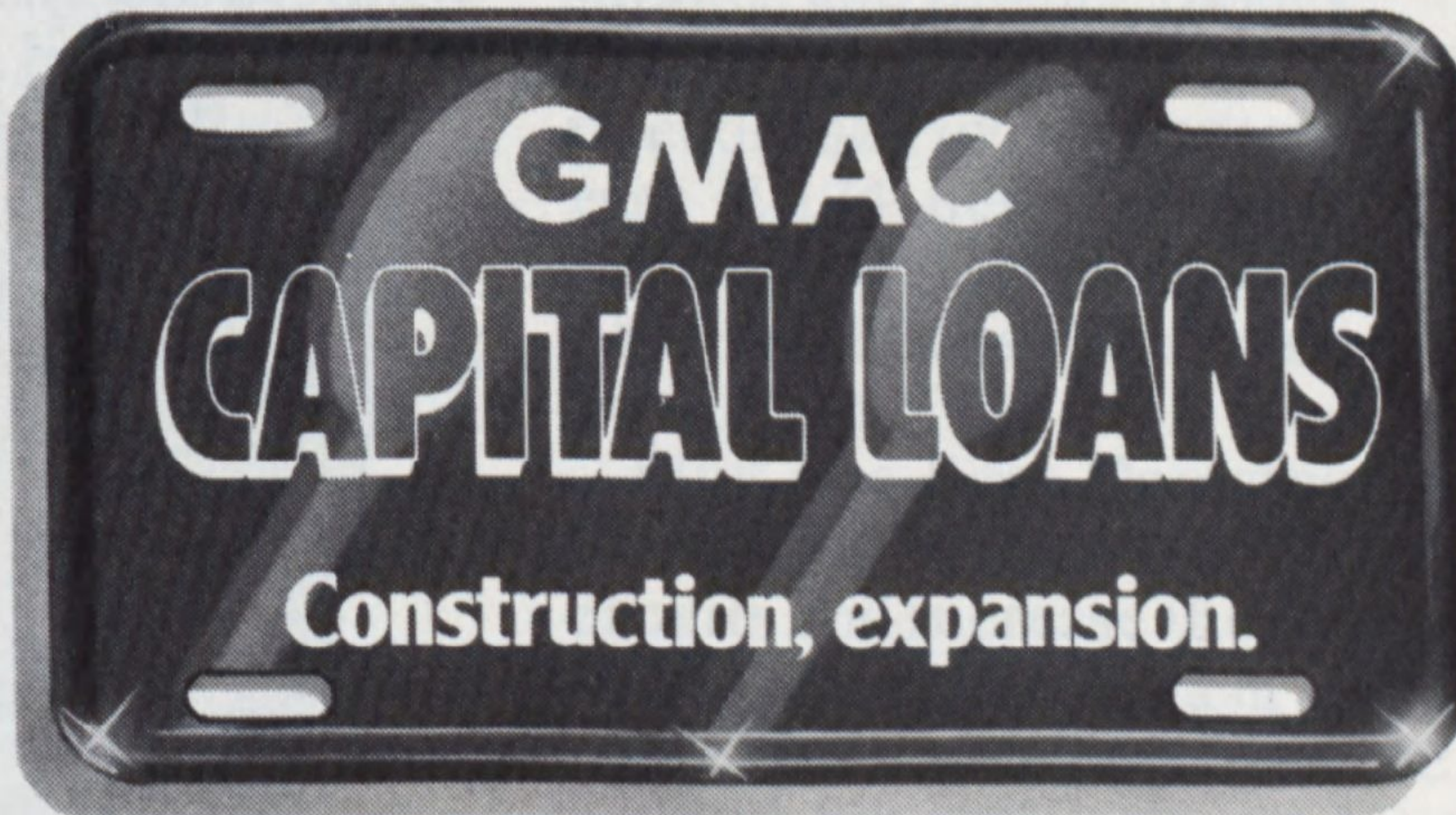
And we've continued to anticipate your needs by expanding our services in new and innovative ways.

Ways to make it easier for you to merchandise cars and trucks. Ways to make it easier for your customers to buy, lease or rent them.

Whatever your financing requirements—retail, wholesale, leasing, daily rental or a capital loan—GMAC is ready with plans and know-how to help make your dealership the transportation center in your community.

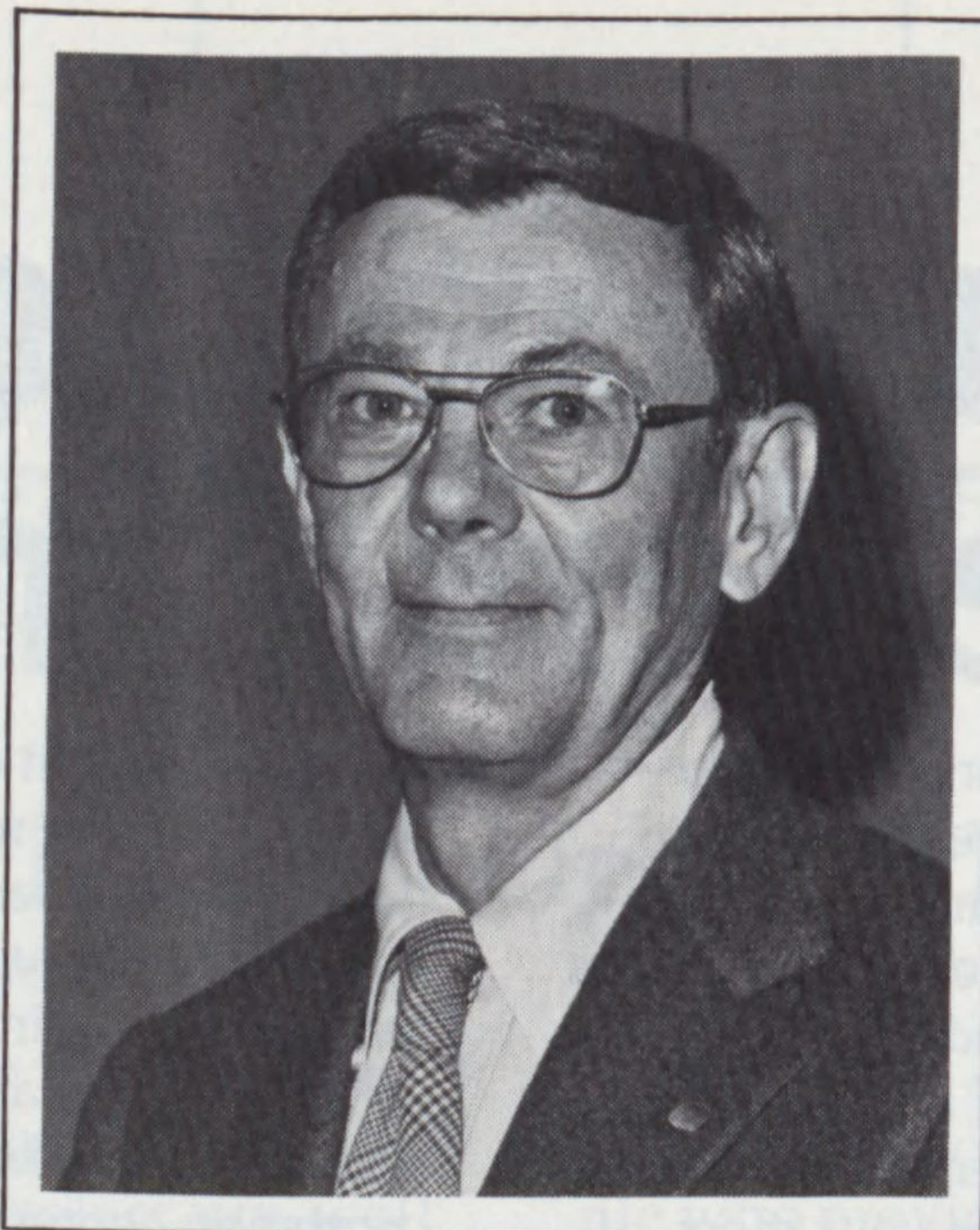
We're committed to helping GM Dealers do it all.

**GMAC**  
FINANCING



**Complete Dealer Financing Services**





# BUSINESS WEEK MADE ROLAND FARICY THEIR BUSINESS.

They awarded Roland the Truck Dealer of the Year Award on April 12, 1980, at the American Truck Dealers Convention.

And, they'll continue to honor Roland and regional winners by telling their stories on their own pages.

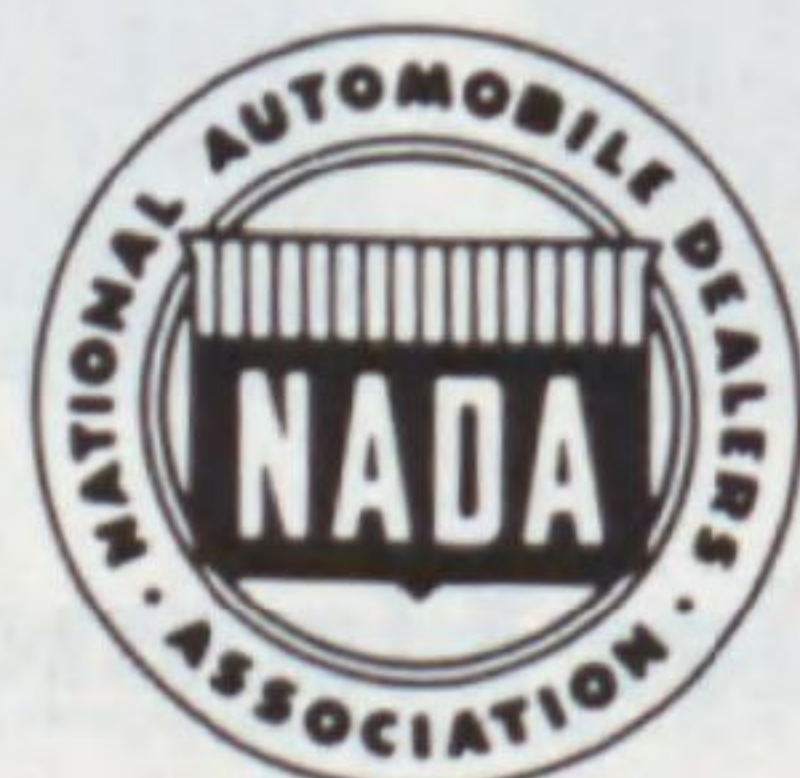
Fact is, for the fourth year in a row, no other publication has given truck dealers a boost like *Business Week Magazine*—the kind of boost that will have a positive effect on our entire industry.

For Roland was recognized for a dedication to community service and contributions to the growth of his Colorado community along with his outstanding truck merchandising record. And, through *Business Week*, many readers will learn about men and women like him—men and women who set high standards for the truck industry.

*Business Week* realizes the vital role that dealers like Roland Faricy and regional winners like M. John Hopkins IV in Highland and Mt. Vernon, Illinois; William W. Simpson in Clarksburg, West Virginia; Robert A. Steele in Ft. Lauderdale and Ft. Myers, Florida;

and Jerry G. Verret in Beaumont, Texas, play in our economy. And, when you pick up any issue of *Business Week*, you'll also see the kind of space it devotes to the latest news about our industry.

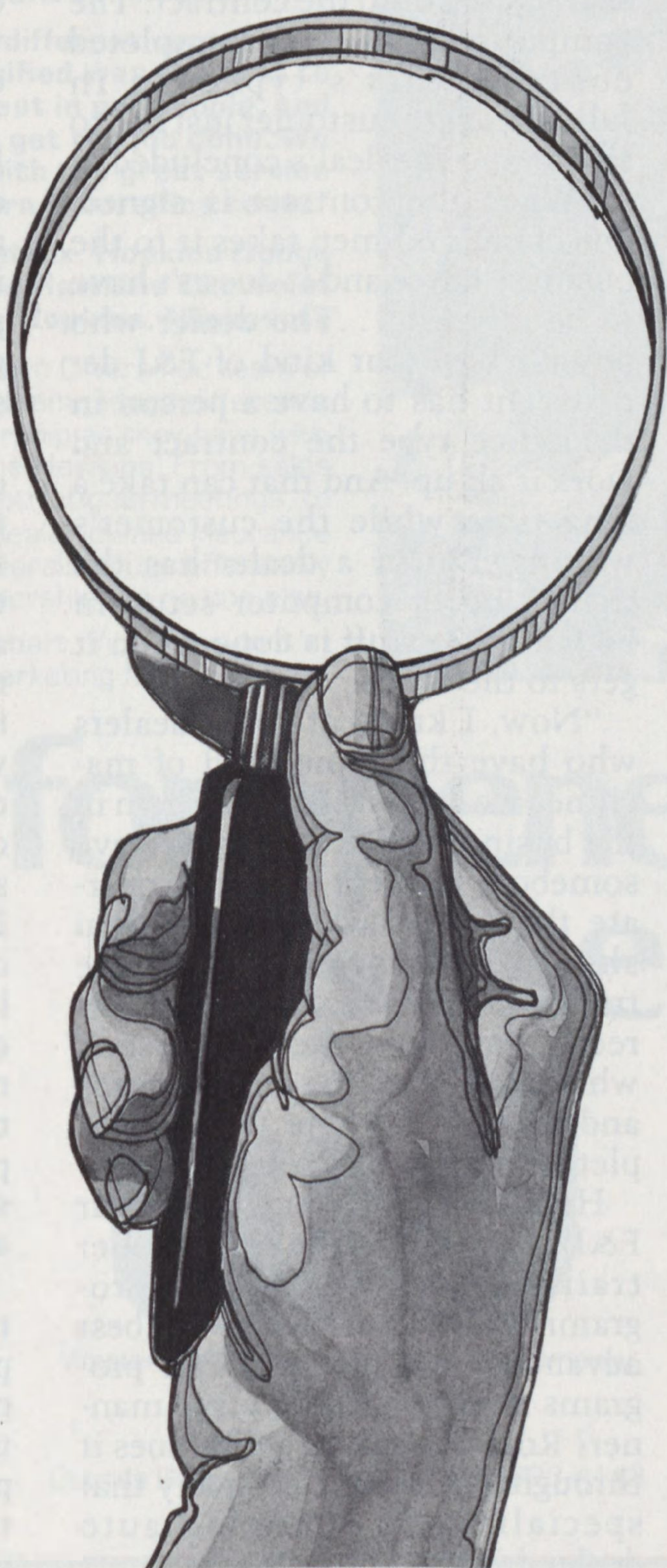
Next time you need to reach people to sell your automotive and truck products, give your business to the magazine that supports and understands our business. America's leading newsweekly of business. *Business Week*.



American Truck Dealers Division  
NATIONAL AUTOMOBILE DEALERS ASSOCIATION  
8400 Westpark Drive, McLean, VA 22102



A growing number of dealers are being convinced the present tough economic situation is showing up all the weaknesses in the "back end" of a deal. But is it really? Some dealers don't think so, because F&I is helping them take up the slack.



tal as on the front end. Most dealers want their best sales man up front and their best sales- on the floor so they can get as much profit from a sale as possi- but then they'll put people aren't trained back in F&I or they'll have a sales manager bbling as a finance and insur- ce man. I don't agree with that." There are other common theories concerning F&I practices with which this somewhat unorthodox Louisiana dealer doesn't agree. One of them is the old adage held by most dealers and finance people alike that says a dealership must boast a hefty sales volume before it can afford a full-time F&I person on its staff. With a modest planning potential of 460 cars and 55 trucks, Downing not only carries a full-time F&I man, he carries two. Now, that ought to make a few heads wag in disbelief. "I was with a well-known credit insurance company in the Midwest when I decided to go with two F&I men," Downing related.

"They said, 'No, you can't do that because you're too small; you don't have a large enough volume!'. Well, I said I was going to do it anyway and they again strongly advised against it. I went ahead and, right away, my finance and insurance income went up. My net F&I income went up even after I paid both men. . . . Last year I made a half-million dollars in insurance and finance money."

Even though Downing Chevrolet did sell over its potential last year (1,124 new cars and trucks and 480 used), gross F&I income of a half-million is still nothing to be sneezed at.

Why was Ross Downing so determined to buck the advice of the experts and increase the size of his F&I department? It wasn't just because of a stubborn whim. He explained his rationale to AE this way:

"Take a look at your sales force. You usually have it broken into two shifts. One shift works late one night and the other the next



night. One shift works one Saturday and the other the next Saturday. Half your sales force covers while the other half goes to lunch.

"Then look at your poor F&I man! He's got to be there whenever a sale takes place. . . . He's got to be there for the first sale in the morning and he's got to be there to finish up the last sale at night. He's got to be there at lunch, too.

"He works longer hours than anybody in the dealership. And if he misses a Saturday his averages go down because whenever he's not there he's got somebody filling in for him who really isn't that interested in that end of the business. In order to keep his figures up, he's got to work 12 hours a day, six days a week.

"I've found that even after you hire a good F&I man, he'll only be good for six or eight months and then he's burned out. The pay may be good, but he doesn't have time to do anything with it."

As Downing expected, the addition of another man to his F&I department gave it the needed flexibility to allow more sensible working conditions for its members. It also allowed them to spend more time with individual customers and work each deal more thoroughly.

In addition to the above pluses, Downing told us he has found that an expanded F&I staff also provides two other very important assets to his dealership:

(1) It helps insure a more constant level of finance and insurance income on a year 'round basis; and

(2) It reduces the business office workload and can even allow the office to operate with fewer people.

Speaking of the first point, Downing explained that a one-person F&I department always means reduced revenues when that solitary finance and insurance representative is away for an extended period, such as during vacation time.

"If your dealership is doing \$45,000 to \$50,000 a month in F&I—such as mine does—and you only have one person in that department, you can expect to lose anywhere from \$7,000 to \$10,000 while the guy's on vacation," he said.

About the second point—reduced work for the business office—Downing saw that come about by having the right people and the right equipment in his F&I department.

"If you have properly trained people back there in the F&I department," he pointed out, "the first thing you're going to notice is that you can get by with fewer people in your business office. The reason this is true is that when a buying customer leaves your dealership, all his paperwork is already going to be completed and done correctly.

"We have two computers in our F&I department—they cost about \$10,000 each—and our people can sit right there with the customer and work up payments on the computer that will suit that customer. Our F&I people are experts on those computers and they explain everything to the customer as it's going onto the contract. The computer gives us a completed contract that's typed up in full. . . . and the customer just has to sign it and the deal's concluded.

"When the contract is signed, one of our F&I men takes it to the business office and it doesn't have to be retyped. . . . The dealer who doesn't have our kind of F&I department has to have a person in the office type the contract and work it all up. And that can take a long time while the customer's waiting. But, if a dealer has the right kind of computer setup in F&I, all that stuff is done when it gets to the office.

"Now, I know of some dealers who have the same kind of machines we do, but they put them in the business office and must have somebody in there trained to operate them. The way I see it, you should have your F&I people trained to use the computers correctly and then they can use it while they're selling our programs and have the whole thing completed in just a few minutes."

How can you insure that your F&I people receive the proper training so they can use programmable calculators to the best advantage and also sell F&I programs in the most effective manner? Ross Downing said he does it through a good F&I company that specializes in servicing auto dealerships.

"It's very important, to get with a good company when you're planning to really step into the F&I business," he said. "The one I use will find finance and insurance people for you and train them, too. It even holds refresher courses for them every year."

It's also important, according to Downing, to ally yourself with a company that will thoroughly service your account.

"The company I'm with sends a man by at regular intervals to go over our records in F&I. If he sees a bad trend developing, he lets me know right away," he explained.

Obviously, Ross Downing is satisfied with his F&I company, but how can other dealers go about finding one that will satisfy their particular demands? In talking to other dealers who have found such firms that please them, AE discovered the most often-recommended method of pinpointing the right company was to do just what we were doing: talking to other dealers.

"I selected my F&I company largely because of its reputation," one dealer in the Northeast told **automotive executive**. "I figured if it was servicing other dealers properly and they were having good results, it would probably service me properly, too."

For a fast, inside look at the kind of service a typical company of this nature provides dealers, AE studied a lengthy list of organizations and selected a large insurance company in a major industrial city to talk with. AE's reason for picking an insurance company was that most dealers who can currently boast of a strong F&I income appear to be doing much the same as Ross Downing in Louisiana. That's concentrating on the presently more profitable insurance items to take up slack created by thinner shares of the finance deal. Ironically, however, the spokesman for our target company started off by talking exclusively about finance and not insurance.

"We train personnel to control the customer," he said in explaining his company's dealership procedures. "So many auto sales trainers have advocated the importance of controlling the customer from the time he walks through the door right on through



# There are alot of reasons why Western Diversified handles our F&I.

**"We've always been able to sell alot of cars but, before Western Diversified, we had been weak in the F & I area."**

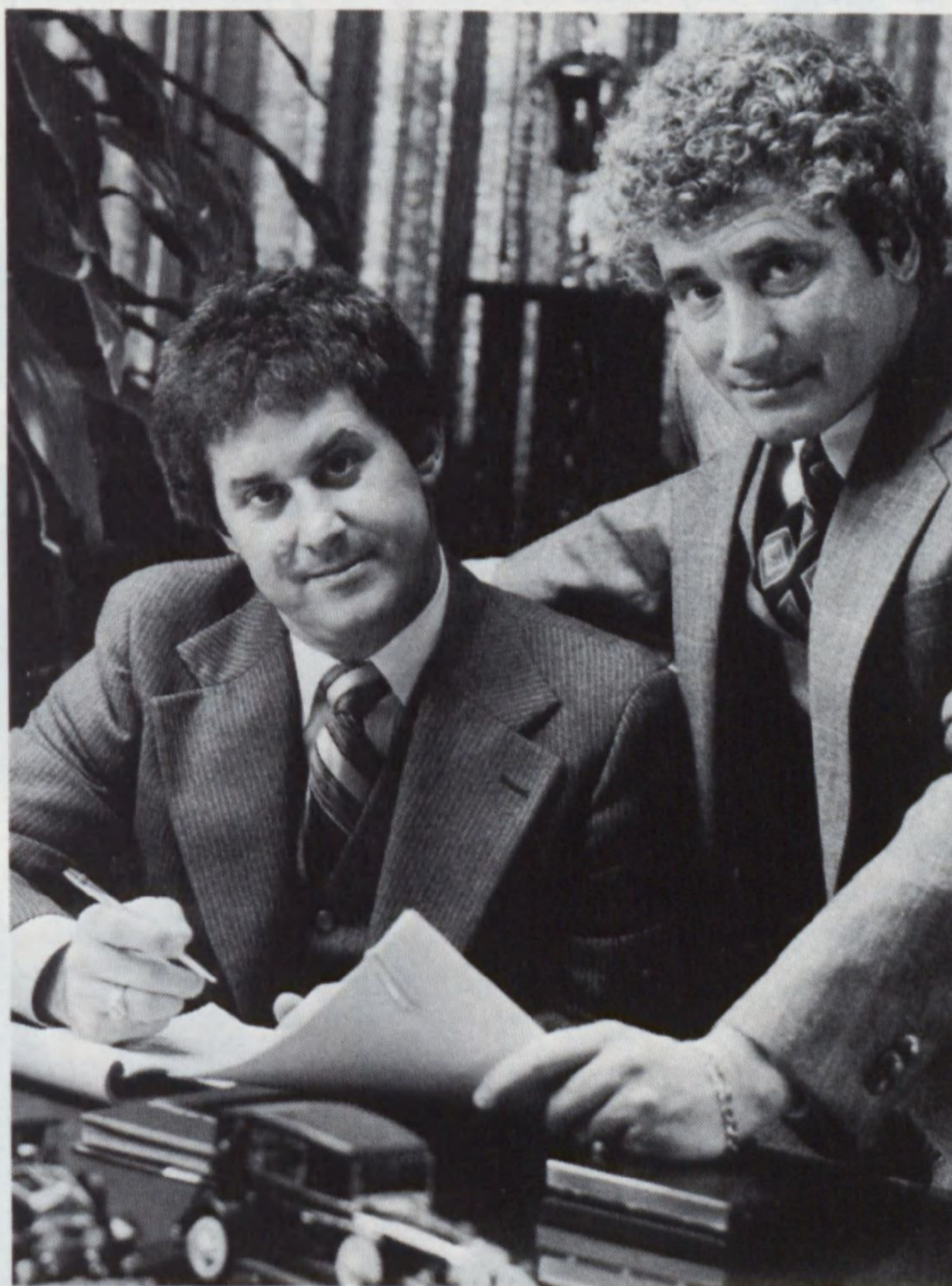
**"Western Diversified has helped us to realize the tremendous profit potential of our F & I department, and we are now enjoying those profits. In fact, we feel F & I is THE most important area as far as profit vs. investment."**

**"We had tried alot of different companies, but Western Diversified was the first to take a genuine interest in our people, and motivate them to get the job done. We couldn't be happier with the great service we get from the Western Diversified team."**

**Gary Mattox, Hopkins Dodge  
Thane Hawkins, Thane Hawkins Chevrolet  
Hopkins, Minnesota**

The Western Diversified team of professionals can make a tremendous difference in your dealership as they have with Gary Mattox and Thane Hawkins. From sales motivational meetings, to management of dealer-owned insurance companies, Western Diversified can effectively be a part of your dealership like no one else.

Call Lloyd Gearhart, Vice President of Marketing for the details.




## But for openers, let's use profit.

WESTERN DIVERSIFIED

# wd

Western Diversified Life Insurance Company  
P.O. Box T  
Wheeling, Illinois 60090  
(312) 577-7900  
Outside Illinois Call Toll-Free 1-800-323-4143

 A Wickes Company



# Pocket Your Profits... with O.E. Factory Style Self Adhering Body Side Moldings

The factory style self adhering moldings that make your customers happy. Styles and profiles that help you increase your profits. O.E. moldings are what dealers turn to for performance, sales appeal, and outstanding profitability. You get the factory look, without the factory price, and that means you enjoy more profits on every sale. The factory look is not only what the customer wants, it's what your sales people want to sell. A guaranteed, easy to install molding. A molding that makes money for everyone. Why not install O.E. Body Side Moldings at your dealership and pocket the profits?

- Notice the universal size and design of our contemporary OE 1937 molding. It's the customers choice for today's cars, and the world cars of tomorrow.
- Direct factory sales and service eliminates overpricing and shipment delays. Guaranteed quality is engineered into our O.E. moldings.
- O.E. moldings are packaged in polybags for lasting beauty and freshness. Immediate availability in perfectly matched OEM colors. Available in narrow, wide, and extra wide sizes.
- If your installers are not putting on O.E. moldings, they are not installing the best. No holes to drill means no rust warranty problems.

## NOTE:

1981 Colors

Available Now!

For prompt information on these beautiful new moldings, please call or write:

## DAWN ENTERPRISES, INC.

5615 Cloverleaf Pkwy. • Valley View, OH 44125 • (216) 447-1777

Company Name: \_\_\_\_\_

Person: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

**O.E.**

A Symbol of  
Excellence

until the order is signed. But then they usually drop it. They say, 'Yeah, you've sold a car...' but that really isn't true until you secure the financing and make sure the customer *stays* sold. You must control that customer until he and his auto's taillights go over the curb."

Why so much emphasis on training dealership personnel to sell financing when the company is going to be making its money from the insurance a dealer sells?

"We found out early on," the company's spokesman answered, "that if you're going to sell insurance effectively, you must sell the financing. For example, if the customer agrees to finance through the dealership, you can then sell him insurance. If, on the other hand, the customer goes to a bank, the bank may not be writing with us. So we say finance control is a large part of an F&I department. It consumes a large part of time. The credit insurance actually does not."

He went on to point out that, contrary to widely held beliefs, financing actually *gains* in importance during inflationary times.

"You know, the F&I department is the only department in a dealership that is affected by inflation in a positive way," he said. "If the price of a vehicle is going up, chances are the price of clothing, food, utilities and housing are going up also. And that means more financing is needed because the customer has less to put down on the car. Also, as financing goes up, so do the premiums for credit insurance, and as credit insurance goes up, so does the dealer's commission."

O.K., so he made his point about financing being important to the sale of insurance, but why does an insurance company concern itself with items such as service contracts?

"As for the extended warranty contract," he explained, "we're in the rapport-building process by getting the dealer and the warranty company together so we can complete our selling program for total service, for a total profitable operation of an F&I department."

"Then, too, selling service contracts is generally done by the F&I person at the time the financing



and credit insurance is being sold. The reason that should be is the F&I person is more concerned about selling back-end services. He doesn't have to worry about the sale of a vehicle because it's already been sold. All he's doing is acquainting the customer with additional benefits and services. Therefore, penetration is higher and the dealer's commission is higher."

Turning to his company's own true service—selling insurance—our interviewee outlined techniques his firm believes should be used in the dealership.

"We teach that credit insurance should be added to the monthly payments for the vehicle and quoted to the customer with a complete explanation about exactly what he's getting. If the customer doesn't want it, we instruct the F&I person to give logical arguments about why credit insurance is desirable. If the customer still insists he doesn't want the insurance, the F&I person should take it out of the monthly payments, decreasing the payments to what the customer wanted when he first walked into the dealership . . .

"The gross profit is *never* tampered with after the sale of the vehicle has been made and signed. The F&I person does not affect the gross profit in any way. All he does is add on to it."

Returning to his previous comment about giving "logical arguments" to combat a customer's negativism toward credit insurance, the representative gave a sampling of what F&I trainees are taught by the company in this situation.

"First, you must smoke out the true objection a customer may have to insurance . . . there can be myriad objections—and objections, we have found, are never in the form of a question. They're always a statement ending in a period. What the F&I person should do is turn that statement around and ask it as a question: 'Why don't you want it?' or 'Why do you say that?' Then the customer can come back with what seems to be a logical reason such as, 'I don't want it because it costs too much'.

"Now, you have something to refer to rather than an emotion.

For example, a retort to 'It costs too much' can be something like . . . 'Sir, do you ever use Brut aftershave? Brut aftershave costs \$278 a gallon. Surely you must use a gallon of aftershave in, say, four years. Can the cost of this insurance be any more than that?'

"You can fight any argument with good, clear, concise logic. Of course, you must assume the customer you're talking to is a reasonably intelligent person who can understand fact and logic."

If logical arguments don't work, however, and the customer adamantly refuses to buy credit insur-

ance, the spokesman reiterated, then the F&I person should drop the discussion so as not to jeopardize the sale of the vehicle. He or she can then move on to selling a service contract.

"If you're a good F&I salesperson, a customer's refusal of insurance really shouldn't affect you. You simply move on by saying, 'O.K., if you don't want insurance on yourself, how about some accident and health insurance on your car?' The customer, of course, will question that and want to know how you can get such insurance on a car. You then mention you have

# LEASING & RENT-A-CAR INSURANCE

We're a major competitor for Primary and Excess Insurance to the Leasing and Rent-A-Car Industry. Competitive rates are available on either a gross receipts or per car per month basis. Let us help you save money!

It's good business to shop and compare! Write or call us today for a comparison quote on your present Leasing and/or Rent-A-Car Insurance! Call us toll free:

**800-345-1286**

I am interested in more details about your:

- ☐ Leasing Insurance Program
- ☐ Rent-A-Car Insurance Program

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Broker inquiries invited



**MAGUIRE INSURANCE AGENCY**

Managing General Agent  
259 E. Lancaster Ave.  
Wynnewood, PA 19096  
(215) 642-8400



a policy called the extended warranty program that is insurance on your car in case of mechanical difficulties. You explain what the benefits can be with a \$25 or \$50 deductible. Tell him this 'health insurance' is needed because he may know how he feels, but he doesn't know how his car feels. It usually acts all right until it breaks down."

With that abbreviated, bird's eye view of what an F&I firm can do for dealers—whether it's an insurance company or some other type of organization—let's turn to the "F" end of F&I that everyone

seems to want to talk about. As we have been shown, the larger profits might be in other F&I areas at the present time, but it's the financing that makes the whole program work.

For Louisianan Ross Downing, having the right financing source is vital for a dealer interested in building a solid F&I business these days. To him the "right" source is one that will have funds available in tough times as well as in good times. He said many dealers in his area found their primary consumer credit source drying up when interest rates took off into

the wild blue yonder. Downing said he avoided this trap because he deals exclusively with a manufacturer's credit arm—in Downing's case, it's naturally General Motors Acceptance Corp.

"I only sell through GMAC because I feel they'll always be there," Downing said, "and you sure need someone you can depend on now."

Although AE could have turned to a number of excellent organizations (among them Ford Motor Credit, Chrysler Credit or many banks around the country) for information about what a dealer should look for when seeking a financing source, we found it tailor-made for us in an address given recently by S. Kreis Smith, chairman of GMAC, to the NADA Board of Directors.

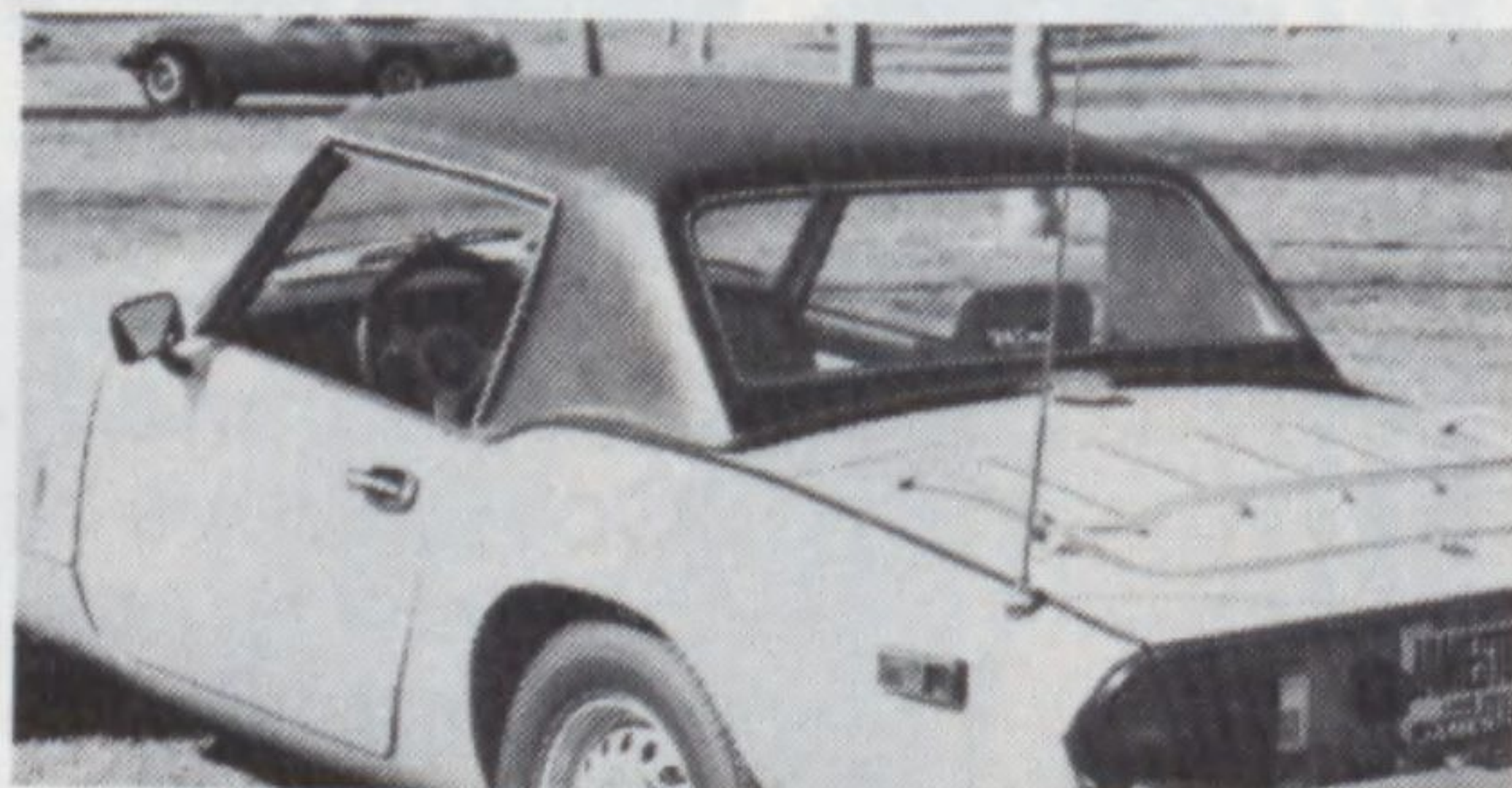
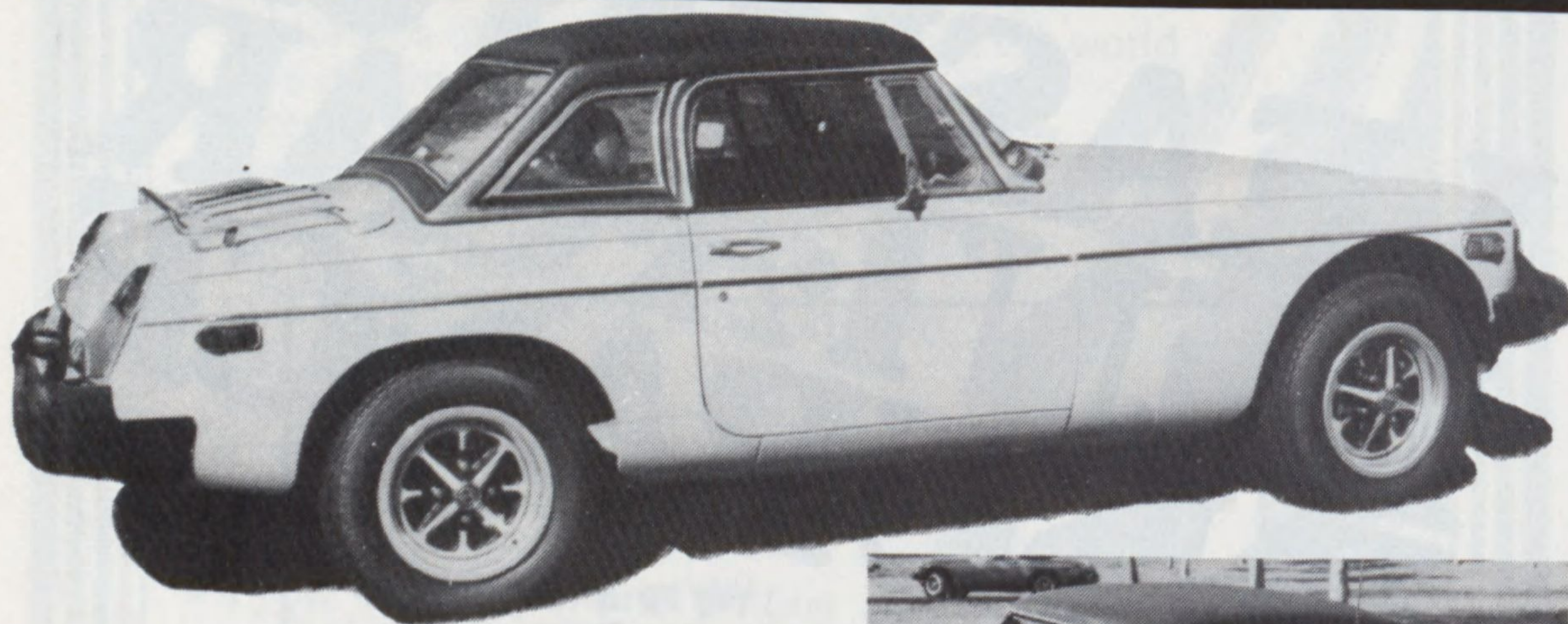
"Based on . . . background and experience, we believe there are several critical characteristics which a dealer should seek in his financing source to insure it will enhance his selling efforts," Smith told the NADA directors.

The characteristics specified by the GMAC chairman were *expertise, complete financial services, and concern for the dealer's interests*. The following excerpts from Smith's talk touch on each point listed:

**Expertise.** "Myriad state and federal laws, regulations and practices governing credit sales require comprehensive understanding to avoid pitfalls and penalties of improper handling of credit. Your financing source should be a valuable advisor in such matters even though final reliance should rest with your own legal counsel. . . . Dealing with automotive financing experts can take a lot of the gamble out of the dealer's business."

**Complete financial services.** "As new car dealerships continue to develop and mature into community transportation centers, their financial needs become more sophisticated and diversified. Your financing source must also grow with the industry and must anticipate the changing requirements of each dealer. It should continually identify dealership needs and opportunities, and de-

## top off your profits!



SNUGTOP, THE EASY-TO-SELL, QUALITY CRAFTED LINE OF FIBERGLASS HARDTOPS. Classic designs, featuring hand laminated fiberglass construction for a long life, weather-tight fit. Designed with a unique air-filled cavity for added weather protection and sound deadening insulation. Finished with finest neoprene rubber seals. Equipped with D.O.T. approved tempered safety glass. Available in white or black, with distinctive off-white inner shell. Standard and Quarter Window Models with optional sunroofs available. Shipped ready for fast, easy installation. Write or call for literature and complete profit information. CUSTOM HARDTOPS, SNUGTOP Division, 1711 Harbor Avenue, P.O. Box 121, Long Beach, California 90801. Phone: (213) 432-5454 or 436-3691.

MAKE	YEAR
MGB, MGC	1962-1980
MG MIDGET, SPRITE	1968-1980
JENSEN-HEALEY	1973-1977
FIAT 850	1968-1974
FIAT 124	1968-1980
DATSUN	1965-1967
DATSUN	1968-1970
TR4A-6-250	1968-1978
TR7	1978-1980
SPIRITFIRE	1971-1980

# SNUGTOP®

"A Tradition of Design Excellence and Craftsmanship"



develop and test innovative plans and methods which will be solutions to tomorrow's problems. . . . We believe your financing source should be a financing 'supermarket' . . . for financial services whether the need be for retail, wholesale, leasing, rental or for a capital loan to buy, build or expand the business."

**Concern for the dealer's interests.** "This factor transcends all others, for it establishes and nurtures confidence in the relationship by accentuating the areas of common interest. In my view, the ideal situation would be for each manufacturer to have a financing subsidiary or to provide a reliable source of financing as an integral part of its marketing process. I applaud Volkswagen's plans to support its dealers with financing services. . . . A financial source with the dealer's best interests in mind will establish realistic wholesale credit lines based on financial statement and market realities; flexible enough to accommodate the need for temporary increases, yet sound enough to resist the overtures of an overvalorous factory rep to inflate inventory beyond the capacity and needs of the dealership."

In addition to these observations, GMAC's Smith added that a financing source interested in its dealers' market position and development provides more than just proceeds checks. In a checklist of desirable attributes, Smith said such a financing source:

- Offers financial counseling using tested performance yardsticks.
- Provides a monthly analysis of time sales to show a dealer how he measures up to other dealers in his line and trading area.
- Shows a dealer how he can increase his finance income.
- Produces for a dealer's use monthly prospect notices of his customers who are ready for a repeat sale.
- Supports the dealer with timely advertising, sales promotion and training materials.

- Conducts the same thorough credit investigation whether the dealer's plan is repurchase or non-recourse.

- Provides contract documentation which, in its best judgment, conforms to all applicable federal, state and local requirements.

- Installs new forms and new procedures as needed to comply with new laws and regulations.

- Calls to the dealer's attention marketing practices which, in our constantly changing environment, may no longer be perceived as acceptable by consumers and their self-appointed government guardians.

- Is at the forefront, supporting legislative and regulatory reform and opposing vigorously regulation which increases the cost of doing business with little or no offsetting benefit.

In closing his talk, Smith offered a prediction about the automobile retail industry.

"History has shown our industry to have an amazing resiliency in times of adversity," he said. "It has been during adversity, when we have returned to the basics of the business, that we have learned our best lessons. The clouds which darken our present outlook are beginning to pass, giving way to the promise of a new era of exciting developments in personal transportation. Those of us who learn our lessons well today will share in the new levels of growth and prosperity which are surely coming."

Perhaps Kreis Smith might have added that one important lesson some dealers have learned—dealers such as Ross Downing—is that F&I can be a valuable asset during this current time of adversity. And it will be even more valuable, if treated wisely, during the good times yet to come.

**AE**

## Be a Winner

at the lowest risk with  
**hole-in-one insurance**

**Promote your tournament** by giving away a new car, trip, or a cash prize and get lots of publicity and participation with no cost except the low insurance premium.

**Sports Achievements Association** offers hole-in-one insurance, handles the payoff promptly, and makes you look great.

For a free quote call Dennis Chase now at 800 854-3527. In California, call 714 957-6052.

**Sports Achievements Association**

3198 F. Airport Loop Drive  
Costa Mesa CA 92626

Also call us for complete tournament planning service for tennis or golf.



## IF YOU CAN AFFORD TO PASS UP A SALE—DON'T READ ANY FURTHER



### "AN EXPERIENCE WITH JOE GIRARD"

Six (6) cassette tapes which capture the World's Greatest Salesman at his very best.

Joe candidly relays the techniques that made him successful and how these same ideas & motives can help you sell better.

If you are serious about the selling profession, this dynamic presentation is a must for you.

You can gain experience from the World's Greatest Salesman for only \$75.00, which includes postage and handling.

Send check or money order to:

**GIRARD PRODUCTIONS**

BOX 358  
EAST DETROIT, MICH. 48021



# BEING A STOP-A-FLAT DISTRIBUTOR MEANS A GREAT DEAL TO BRIAN PAGE A GREAT PRODUCT A GREAT PROGRAM

Greater profits for the distributor and his new car dealers. That's what the Stop-A-Flat success story is all about. And that's all the more reason why you should take the opportunity to join up with the world's leading tire puncture sealant and write your own success story.

**NOW, MORE THAN EVER, IT PAYS  
TO BE A STOP-A-FLAT DISTRIBUTOR**

**stopaflat™**  
The flat resistant tire™

**CALL THE DIRECT LINE TO A BETTER BOTTOM LINE: 800-523-2436**

**EGAP INC.**

May 17, 1980

Stop-A-Flat Corporation  
608 Masons Mill Business Park  
Huntingdon Valley, PA 19006

Gentlemen:

I involved myself with the Stop-A-Flat program because I saw a tremendous marketing opportunity for my company.

Stop-A-Flat is a big profit builder. It makes a lot of money for me, for my customers, but most important of all, it provides safety and security for those people who have Stop-A-Flat in their tires.

It is an easy sale and I expect to gross over \$100,000.00 over the next 12 months.

Regards,

*Brian Page*

Brian Page

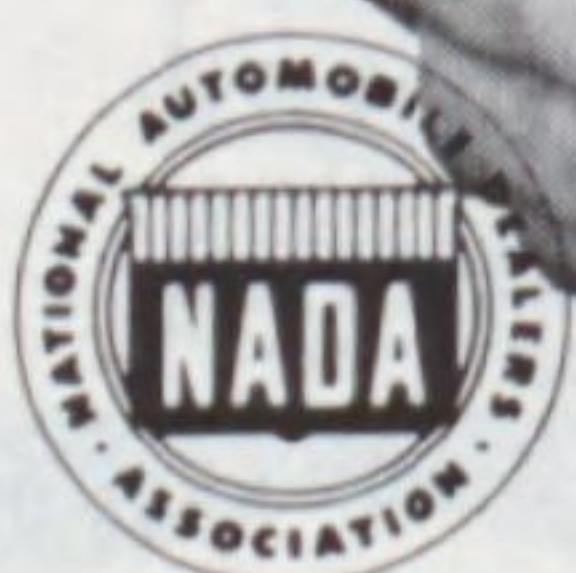
## CUT COSTS? SURE! CUT CORNERS? NEVER!

In today's market, you have to watch costs like a hawk and make sure you're getting real value for every dollar spent.

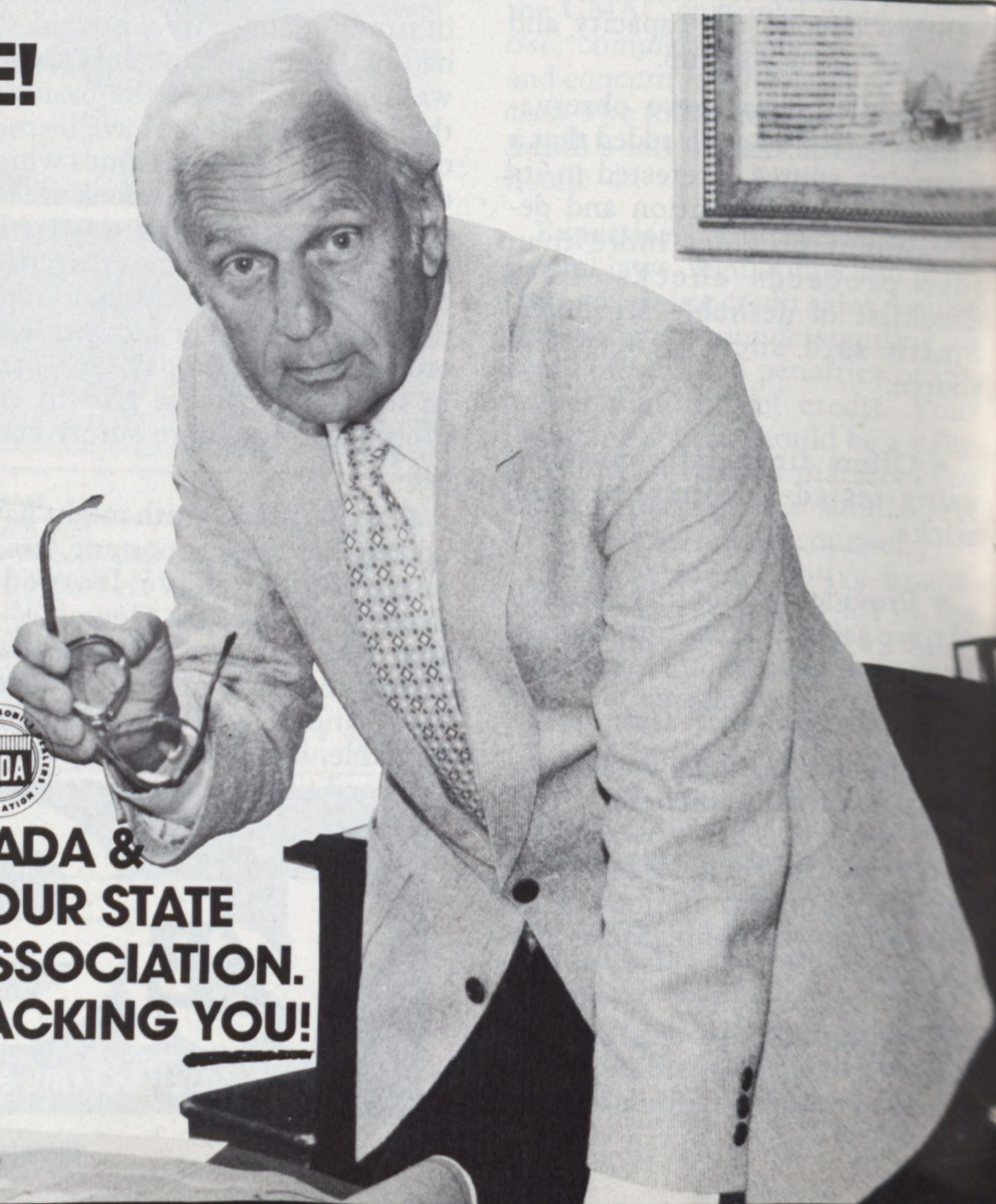
That's why I support NADA and my state association. My memberships aren't costs to my way of thinking—they're assets.

NADA and my state association both give me invaluable information that helps me keep this business going. They've been backing dealers for years, and that's why I back them with my membership dues dollars.

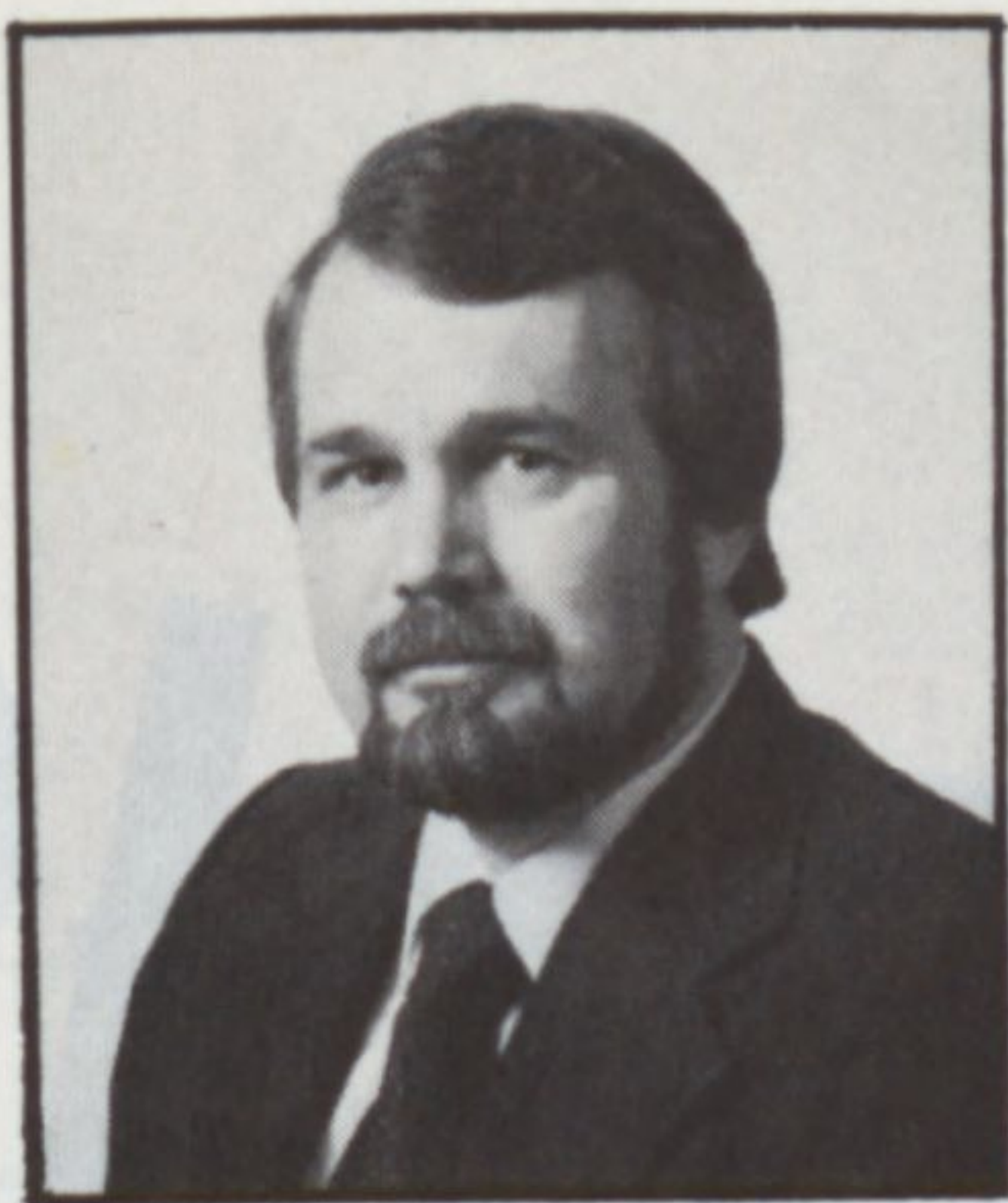
Sure, I cut costs. But NADA and state association memberships are two things I refuse to do without.



**NADA &  
YOUR STATE  
ASSOCIATION.  
BACKING YOU!**







Douglas Eickhoff

## Hiring Your People

Service personnel have to be the most important "result area" that your service manager is responsible for. If customer relations, factory relations, sales and expense control, etc., are on your mind, ask yourself: how can I achieve positive results in any area without good personnel? You can't.

Why is it, then, that we tend to hire and fire much too often? We hire the guy who just got fired by another agency down the street and welcome him with open arms. After all, it's not that easy to find a mechanic or service adviser. When he applies, he is hired and that's where the trouble starts!

A good interview with the potential employee should be conducted after a basic application has been filled out. Here are some interviewing tips:

1. Assure privacy—avoid interruptions.
2. Put the applicant at ease; be warm and friendly.
3. Explain the structure of the interview.
4. Explain job requirements and hours. Tell him what the job entails; cover compensation and benefits.
5. Make no promises that you can't keep.
6. Spend time listening.
7. Ask the applicant what he is looking for from you. What are his ambitions and goals?
8. Let him know where he

stands. If he is still under consideration for the job, tell him what comes next and when.

9. Rate the applicant immediately after the interview.

Remember—or be aware of—something else: it is unlawful to ask as *pre-employment* inquiries:

- The original name of an applicant whose name has been changed by court order or otherwise.
- The birthplace of the applicant.
- That an applicant produce proof of age in the form of a birth certificate.
- That an applicant for employment affix a photograph to his application form.
- That an applicant, at his option, submit his photograph.
- For a photograph after the interview, but before hiring.
- That an applicant produce his naturalization papers.
- What applicant's national origin or ancestry is.
- The address of any relative of applicant other than applicant's father, mother, spouse or dependent children.
- The name and address of the nearest relative to be notified in case of emergency.
- What applicant's general military experience is.

- For a list of all clubs, churches, societies, lodges, etc. to which the applicant belongs.

Make no notes on the application. The application, once filled out, belongs to and is the property of the applicant.

Check with the previous employer before you hire. Should you find out that the applicant may have stolen from the previous employer, and you have already hired him, you may not, by law, terminate him for that reason.

As part of the job interview, you should ask the applicant if he can observe all company policies. Get a commitment out of him. Let him know: What is expected of him; when it is to be done; how much is to be done; how well it is to be done; departmental objectives; how to achieve personal goals; what the company goals are.

A job description must be in writing and available at all times. It describes the responsibilities for the employee and should apply uniformly to all employees in each specific job classification. A job description should show an employee how his performance will be measured based upon standards in that job class. It should be a guide for the employer, the employee, and the government in its concern for fair employment practices.

Now is the time to compare views and iron out any misunderstandings. Æ



# SELLING FUEL ECONOMY TO SELL TRUCKS

If there's one thing I believe about selling trucks, it's that you can sell fuel economy at a profit. Selling it is financially good for you, it's good for the buyer, and since what we're doing is saving energy, it's good for everybody.

I'd like to talk to you about it.

I want to base what I have to say on a tractor van-type trailer running a somewhat standard and generally accepted 100,000 miles a year. And let me further base my case on the somewhat standard, normally assumed, 4.5 miles to the gallon. Most operators, it seems, have become reasonably comfortable in saying that their mileage is 4.5 mpg.

Now, what I'd like you to do is to think about just a few months from now—and about \$1.50 per gallon for diesel fuel. And if you don't like that, the bad news is, it's going to be \$2 a few months further down the road.

What it all amounts to is, if our truck rolls 100,000 miles each year at 4.5 miles to the gallon, the result is 22,222 gallons per year. And at \$1.50 per gallon, that's a \$33,333 expense.

That happens to be a chunk. If you sell trucks to owner operators, and the owner operator is generally talking \$1 per mile gross, you know he can't be too happy. His gross income is \$100,000, and we just took away \$33,333 of it, just for fuel to keep the truck running.

Now, I want you to focus on the truck you can buy today. Again, it is not a truck of tomorrow. It is today's truck. And I'm going to prove it to you.

The number I want you to come away with is 5.8 mpg. That's today's truck. I am going to show you we can go from 4.5 to 5.8, and again, it is not some space age kind of vehicle. It's today's truck.

We're talking about real serious money as my friends in south Georgia say—savings of \$7,471 a year. How many payments on a truck can you make from \$7,471? Five to seven is about right.

Now, let's talk about an operator who is going to keep that truck for five years. Five years at 100,000 miles a year. Those numbers correlate strongly with the \$7,471 we mentioned, multiplied by 5. That amounts to \$37,355.

Now, at this point, you or your customer, when you're trying to explain what we're getting at, might be a bit confused. And you might *really* want to know, "Specifically, how do you go from 4.5 to 5.8?" Well, you asked for it.

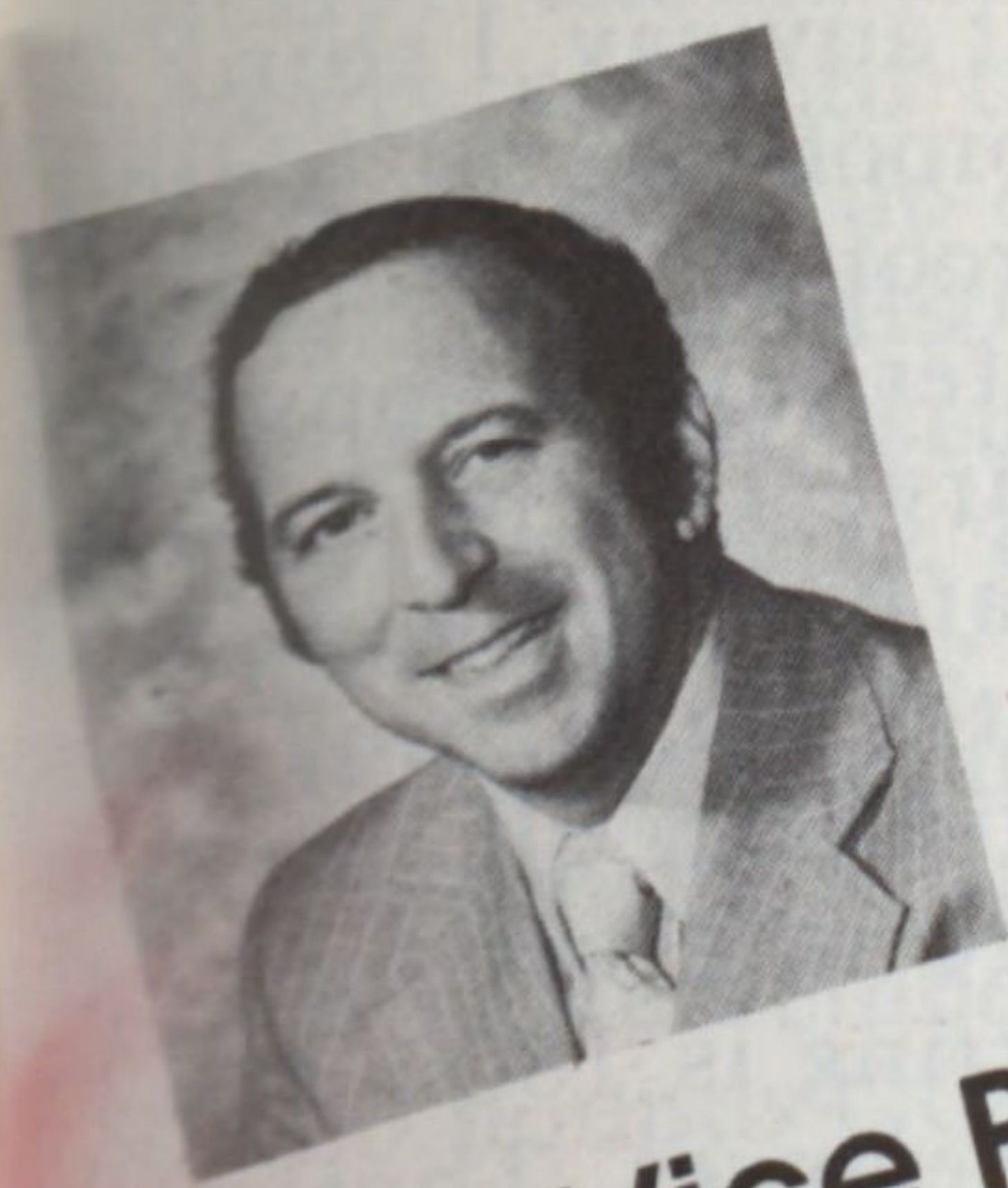
First, you'll remember that the 4.5 mpg vehicle has an annual fuel bill of \$33,333. That means that for each percent you can shave off the fuel bill, you have saved \$333 per year. That's a very important number, and you'll see how many times we are going to use it.

The first thing we are going to do is put a wind deflector on the roof of the tractor. You will hear numbers on the drag foiler, on the air shield, and other wind deflector type devices all the way up to 10 percent.

Let's deal with the very conservative percentage of only 4 percent. When each 1 percent is \$333, and a wind deflector saves 4 percent,  $4 \times \$333 = \$1,332$ . A wind deflector sells for about \$500 installed.

How about that for a return on investment, first year? Put up \$500, and get back \$1,332. The





by Bert Grayson

## The Vice President of Transportation Advisors, Inc., a consulting firm that has done a considerable amount of work for International Harvester, GMC, DOT, DOE and others, says selling Today's Truck can mean a lot of money for everybody.

second year, the operator keeps the whole \$1,332, and every year thereafter.

It should be a no maintenance item. If you put it on right the first time, it should stay there. But the big trick is to put it on right, because there is a right way and a wrong way. Don't let anybody put a wind reflector of any design on the roof of one of your vehicles without showing them how to make the headliner down. Show them how to put the reinforcements in that are necessary. (You have only to travel a very small amount in the industry to find somebody who will tell you a story about how a wind reflector tore the roof off the cab of the tractor.)

It's becoming increasingly difficult these days to buy a vehicle that doesn't have a fan clutch on the engine, and that's good. The reason? With it, you can hang your hat on another very conservative savings number, which is 5 percent.

I think the easiest sale in the whole world is a retrofit fan clutch for a husband and wife owner operator vehicle. If you have ever driven a vehicle with and without a fan clutch, you know what I mean. It is a much, much quieter truck.

By the way, the original reason for putting on a fan clutch had nothing whatsoever to do with fuel economy. It was noise. Exterior noise, not interior noise. Most older vehicles don't have

It is a very nice retrofit sale. It's about a \$500 gross, but if the truck owner saves 5 percent, we're talking \$1,665 in fuel savings for one year.

You hear a lot of talk about radial tires. Do they save fuel or don't they save fuel? Are they a good idea?

Radial tires do save fuel. You can hang your hat on 5 percent without any trouble at all. And some of the radial tire manufacturers will promise you numbers all the way up to and including 10 percent when you have a 5-axle rig.

I think you'll find in your data book on a 3-axle tractor situation, \$1,200 is about the premium price for radials. If you notice, I'm being very conservative on this one; at a 5 percent savings, I'm giving you back \$1,665, and I'm asking you for \$1,200.

Now anybody who says that's not a good return on investment, don't forget about the fact that you get more caps out of a radial tire than you do with a bias tire. You also have a whole lot less trouble with small cuts and abrasions.

And also don't forget the amount of fuel the tires save is directly proportional to how much air you put and keep in the tires. I can tell you that for sure. If you do not keep air pressure in your Michelins, Toyos, Bridgestones, Firestones, Goodyears or Goodriches or whatever they are, if you don't keep them fully inflated, you will not get the mileage out of the tire. Also, you will not get the fuel savings I've indicated.

Now you're supposed to be thinking, "How hard are they supposed to be?" The answer is, "In general, the harder the better."

One of the more interesting tricks of the fuel economy game is the gap between the tractor and trailer. It's worth yet another 5 percent.

Yes, I know all about the long nose conventional cab with the 250-inch wheel base. You get the fifth wheel all the way out to the edge on one of these. Move the trailer "a mile-and-a-half" behind the tractor, and the whole thing rides beautifully.

I'll also show you that a stretched-out vehicle would be lucky to get 4.5 mpg. The gap is worth a full 5 percent.

What does it cost to close up the gap? Absolutely nothing! When I talk about this before groups, someone always raises their hand at this point and says that it's rough on the kidneys. And I say, get some good shocks on the front end and an air ride seat for driver and passenger.

The owner operator and driver always fight closing up the gap. They want the truck to ride like a car. But do it my way, and we have 5 percent and another \$1,665. And it cost us nothing to get there.

It's just definitely true in trucks: Tighter is better. So when you take a look at those fleet operators who are really serious about fuel economy, you'll see minimum gap settings.

The gap between the tractor and trailer is so close on some fleets, I sometimes wonder if they have



enough swing room to get the vehicle around a corner. They slide a fifth wheel in a 3-axle tractor all the way forward. Tighter is better.

But despite all we've said, the biggest percent in the whole game and the toughest to get to is the driver. He is worth 10 percent of the whole game.

How you drive the truck has more to do with miles per gallon than any other part of the equation. It is worth 10 percent, and that is worth \$3,333.

In other words, if you do nothing else but close up the gap and drive the truck properly, you save 15 percent right away.

But if you add up all these percents, you get 29 percent. That's the difference between 4.5 and 5.8. If you have any doubts about my statistics, get in touch with a program called the "Voluntary Truck and Bus Fuel Economy Improvement Program through the U.S. Dept. of Transportation. They'll give you fleet verifications on all the numbers I've used. And as you talk to fleets, you might ask them about these statistics too. And see how close your customers are getting.

Now I'm going to show you the rest of the story.

As you know, the fuel curves and rpms translate to pounds of fuel per horsepower per hour. The rpm setting of the engine is our topic.

First, let's look at the Cummins 350. That should be extremely familiar to anyone of you that has ever sold a heavy-duty truck. At the standard setting, which means 2100 rpms the engine is producing 350 horsepower.

Now, a fuel curve shows the rate of fuel flow to the engine. The bottom of the curve is the place where the engine is consuming the least amount of fuel.

In this particular engine, the bottom of the curve is at 1800 rpms. At 1800 rpms, a 350 Cummins engine is producing 330 horsepower. You'll see how significant that is in a minute. So-called formula-type engines all run at reduced rpms.

Those of you who are dealer principles, prepare to cry. Any time you sell a vehicle and you get the opportunity to see it in your shop after you have sold it, be sure that when the customer is com-

plaining about fuel mileage, the very first thing you do is check the governor setting.

Some way or another, drivers think the best thing you can do for an engine is to open the governor up just a "tad." Well, just a "tad" in truck driver language means 2700 in a 2100 rpm engine.

What happens to the fuel curve at 2700? It goes straight up. When you see a tractor rolling down a road belching black smoke, that is unburned fuel. I would be willing to bet that those vehicles are not getting 4 mpg.

The 3.2 mpg hotrod, and there are a bunch of those around, are all running with fuel curves that go straight up. Black smoke is unburned fuel in a diesel. Blue smoke means an oil problem. White smoke generally means the engine is running too cold.

Back to 1800 rpms. That's the number I want to run at. That's the place where the 350 engine burns the least amount of fuel.

Hopefully, all of you believe in the 55 mph speed limit. I put all my numbers together and say that what I have now is a tractor-trailer combination going down the road at 1800 rpms. It's consuming the least amount of fuel at 1800 running at 55 mph. I'm producing 330 horsepower at 1800. Plenty of reserve.

Now, let's go on to look at the current generation engine. You have all read about and heard about the Cummins Formula 300 engine. Remember my emphasis on 1800 rpms? That's all there is to this engine. It cuts off at 1800. It should not go any higher than 1800 because of the fuel economy-type setting.

But what's more important is this. The fuel curve is darn near flat.

Some drivers think trucks sound better in a lower gear. Some drivers like to run around one gear low because it gives them better vehicle control. Down shifting a 4-speed or 5-speed sports car provides a parallel. Well, everytime you drop down a gear in the conventional type engine the rpm goes up and the fuel economy goes down. The 350 has a fish hook in the fuel curve. But now, we're looking at an engine that has almost a flat fuel curve.

I don't know whether Cummins

would like this definition or not, but I'll use it anyway. I think this is a driver-proof engine, with almost fool-proof fuel efficiency. It doesn't matter how sloppy I am, the fuel curve is the same. It doesn't matter what gear. It doesn't matter what rpm. Above 1400, it is virtually all the same. What's more interesting is the governor setting is 1800 and I've got 300 horsepower. That's what the curve says.

It's a whole new ball game with fuel economy. Tighter is better. Harder is better. Lower is better. And in fairness, I should mention that Caterpillar, Detroit and Mack all offer similar engines.

The lower the BSFC number, generally speaking, the better. We're talking about less revolutions per minute and less fuel. It takes fuel to develop horsepower and it takes rpms. You've got to turn the engine faster in order to make more horsepower. That's what performance curves tell you.

Now to put it all together for you. We order a fuel economy tractor.

I went to Cummins and I said, "I want to plug into your computer the following data. I want a vehicle that is a 6 x 4. I want a highway COE tractor, a 3-axle tandem. I am going to pull a van-type trailer with a curved nose and smooth sides. I've got a GCW of 80,000 pounds. I've got a trailer that's 8 feet wide and 13½ feet high.

"I'm going to add a 5 percent reduction for aerodynamic aids, a wind reflector. I like tubeless radial tires that make 476 revolutions per mile. I'm going to use standard highway tread." Radial and tubeless, that is my kind of tire.

"I want to try a Cummins Formula 300 engine that produces 300 horsepower at 1800 rpms. A torque rise of 14 percent. We set the power at 1800 rpms.

"I'm going to use a fan clutch." It's not going to run but about 5 percent of the time.

Power steering. I don't like power steering.

Air conditioning. I did use it here, and I need 7 horsepower to run my air conditioner. I have no PTO.

"The axle is a Rockwell 38,000, 3.9 rear end." Yes, I could have gone 3.7 but I stayed with the 3.9.



quietly, I should tell you a lot of engineers want to talk about 55. Don't get hung up on 4.33 or 4.44 ratios. I should also point out that you could have used RT9509. I should also make one other point. I also said to the computer that I want to cruise at 57 mph. That will give me a little bump over the 55. Remember, this is 80,000 pounds GCW.

Now, if you take a look at minimum speed and look at the engine speed in rpms, 42 mph reaches up with 1300. Cruising speed is 57 mph, and the rpm there is 1763. My fuel economy at 80,000 GCW, at 57 mph, is 5.83. I step up to geared speed, which is 62 at 1800. That's governor over-

Now there's no such thing as a perfect 1800 rpm governor; they have some overrun. This truck usually will run 1906 rpms at 61.6 mph.

Look at the fuel economy difference for the 4 mph from 57 to 61. One-half mile per gallon. A half a mile to the gallon is 10 percent with a base of 5. That's 4 mph, 5.32 vs. 5.32, 57 vs. 61.

In this particular case, the best fuel economy is 43 mph at 1800 rpms. This gives you 6.32. But one of your customers want to talk about running at 43 mph.

I hope I have made the realistic point for 5.8 mph clearly. That's with a 13' 6" van, 80,000 GCW at 57 mph.

If a customer comes into one of our dealerships now and is willing to accept 4.5 as the standard of thumb, you've got some interesting numbers to show him. And a good rational approach to him a truck.

Before we leave this whole area, I have a couple of other numbers to show you. There was an article in another magazine recently that talked about some recent fuel tests. They used two Caterpillar

engines. One of these, the magazine said, was redlined at 1900 governor speed while the other one was governed to operate a maximum of 1600 rpm. The 1600 rpm engine developed 250 horsepower and was equipped with 3.55 rear and gears. The 1900 rpm produced 255 horsepower and ran with a 4.11

"When the testing was complete, the slower turning engine, the 1600 engine, turned out an average of 8.7 percent better fuel economy over the standard so-called fuel economy set-up at 1900. It got another 8 percent by going to 1600 rpms. It's 8 percent better than the 1900 engine.

"Caterpillar has made no moves to market the 1600 rpm engine yet, but inside sources have indicated the company is making extensive computer studies on low rpm diesels and that the results of this test were within 2 percent (of what) one of the studies predicted."

I have a couple of reasons for talking about that. First, don't think that 1800 is low. Caterpillar has had those engines on tests for a long time. Second, I don't want to leave you with the impression that Cummins is the only company marketing this kind of engine. You can buy this kind of engine from other companies. Thirdly, we all recognize this as a computer simulation, but this report says that the results will be within 2 percent of what Caterpillar's computer has predicted.

And there are other numbers you may be interested in. Mobil Oil has designed a dashboard sticker for distribution to all of their fleet vehicles. They give two numbers for each engine.

First, they tell the driver what the down shift number is. With some engines, you down shift at 1300. They want the engine driven between 1500 and 1800. With a 6V-92, 1300 again is the down shift number.

A Formula 290 Cummins is a standard fleet engine. They want the drivers to down shift at 1300 and drive the truck at no higher than 1800; staying between 1500 and 1800 most of the time produces good results.

I hope you have good luck, and I hope you see things in a slightly different light. And as you begin to make today's truck attractive, I hope fuel economy does begin to put your profits where you want them to be. Just remember. You can help your customer, that first year, save about \$7,400, even after he pays you for the necessary extras. That kind of money just might make any standard sales pitch almost unnecessary. AE

## Your Service Department needs profit builders!

### Automotive News



#### Profits from side products

When there is a change in the way a service department is run, the profits of the service department can be increased. This is the case with the service department of a fleet. The service department of a fleet can be run in a way that will increase the profits of the fleet. This is the case with the service department of a fleet. The service department of a fleet can be run in a way that will increase the profits of the fleet.

The service department of a fleet can be run in a way that will increase the profits of the fleet. This is the case with the service department of a fleet. The service department of a fleet can be run in a way that will increase the profits of the fleet.

The service department of a fleet can be run in a way that will increase the profits of the fleet. This is the case with the service department of a fleet. The service department of a fleet can be run in a way that will increase the profits of the fleet.

The service department of a fleet can be run in a way that will increase the profits of the fleet. This is the case with the service department of a fleet. The service department of a fleet can be run in a way that will increase the profits of the fleet.

## KREX Graphite Super Lubricant

- ☐ helps increase mileage
- ☐ reduces friction
- ☐ boosts performance
- ☐ solves service problems
- ☐ makes satisfied customers

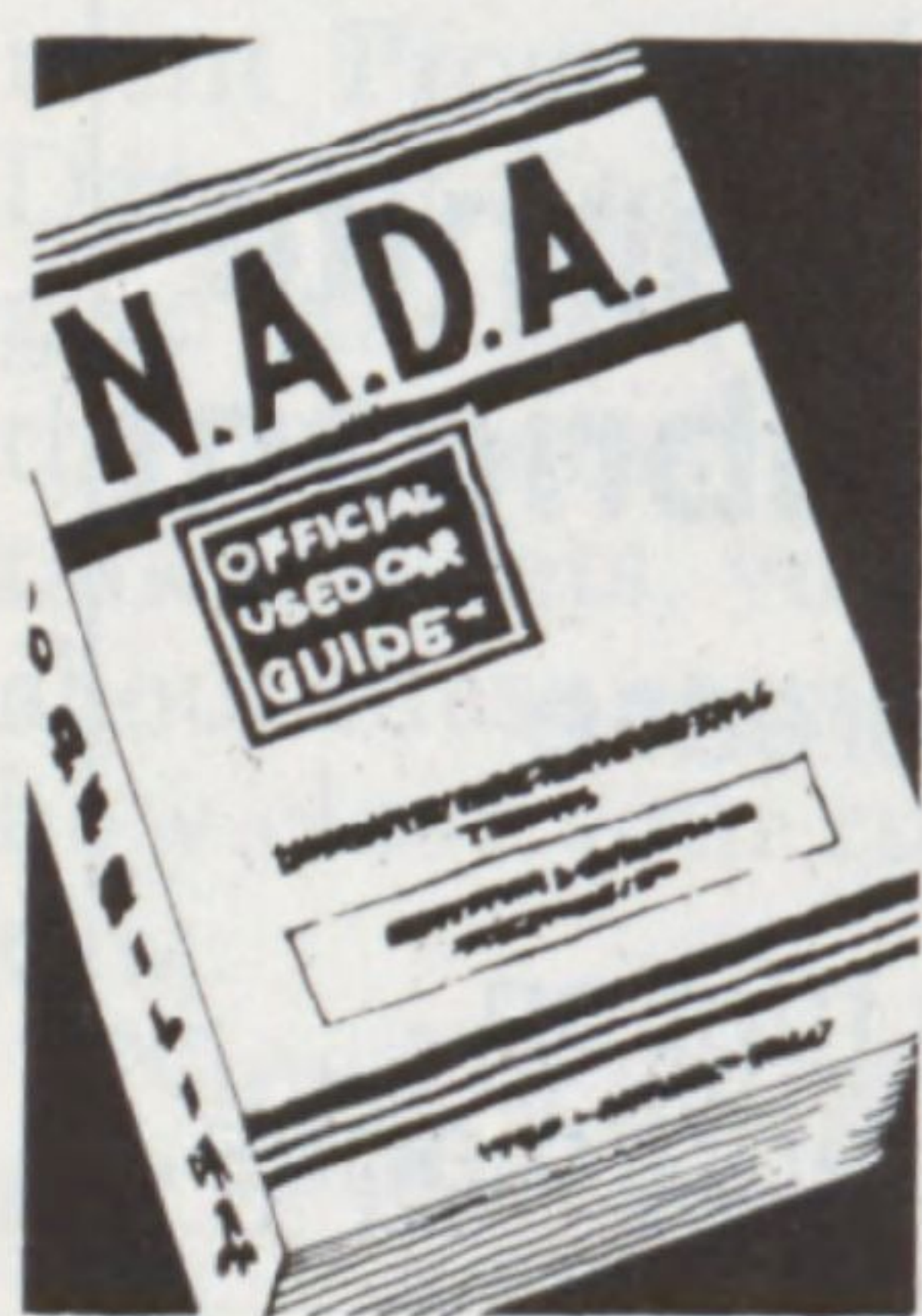
The original graphite lubricant since 1947 gives extra cash flow!



KREX, Inc., P.O. BOX 836,  
Highland Park, IL 60035,  
(312) 433-4450



## The 50,000 Mile Hang-Up



I have always taken the position there is a genuine reason for everything which takes place, so I accept our current heat wave ... but not graciously. I kept

deferring our vacation—we do nothing formal anyhow—but finally, I just took some time off. In fact, this is being written in that time, partly because I'd like to talk about high-mileage cars again.

A couple of weeks ago, I received a call from a dealer who said his used car manager was distressed with our mileage tables, and he observed how much our numbers varied with another book also in use in the area. The other book has some astronomical deductions on late model, high mileage cars. And the unhappy manager said the "true number" was somewhere between the NADA numbers and the other book's.

A few years ago, these very same cars were being sold after reconditioning ... but ... in those days it was not unheard of to set the clock to the mileage which best reflected the car's condition. We are in agreement, are we not, that

mileage in itself is not so much the factor as the type of driving which led to the mileage. The manager stated the cars he had in mind were nice automobiles and in some cases it seemed no one had even sat in the back seat ... salesmen's cars, western part of the country, long trips under optimum driving conditions. My correspondent said people have a thing about 50,000 miles and that the mark-down penalty should be severe from that point. He further suggested the industry had brought this on itself with the warranties which no longer apply after 50,000 miles. To that, let me say this: nothing prevents a dealer from offering a service contract or whatever on the power train of a car once it is no longer qualified for "commercial" coverage. In fact, many dealers do this.

I do not sell cars and I agree it is always easier to sit back and make suggestions than it is to get into the fray. But, there are times when those in the thick of battle miss the obvious ... they are either too close to it or have been conditioned by "but we have always

done it this way." I feel we have many people who refer to themselves as salespeople who are really order takers or cash register ringers. And, I do not limit this to the automobile industry ... it permeates the entire retail industry. Let me say that I *like being sold* ... I don't like being sold something I neither want nor need, but I *need* and appreciate the effort of a good salesperson. About the only time I go into the retail market knowing exactly what I want is when I do a little grocery shopping. Just recently, I needed a spare tire for the old wagon we use to tow a boat. The car is used only for that purpose, and we tow at a modest rate so I wasn't looking for an expensive tire. Several local companies had "sales," so I called the one I trusted the most. I rarely buy tires, so I told the salesman what I needed. I ended up buying two new tires and putting one of the take-offs on the spare. As we talked he said only this: "How good are the tires on the front wheels?" I put down the phone and went out to the car ... the front tires were not all that great. They had a price leader sale in progress so I bought two decent tires for a modest sum, have a reasonably good spare ... and even a second spare should I need it. I feel

The Used Car column is prepared exclusively for **automotive executive** by James H. "Harry" Lawrence, editor of the NADA Official Used Car Guide. All comments or questions pertaining to these columns should be mailed to: "Used Cars," **automotive executive** magazine, 8400 Westpark Dr., McLean, VA 22102.



er about it, he sold two big  
s which are no longer all that  
ular, and we both are satisfied.

Getting back to 50,000 miles  
the American hang-up. I know  
ay people who have cars with  
over 50,000 miles on them,  
d they are not about to drive  
m to the junk yard or trade  
m in. The 50,000-mile syn-  
me is a myth more in our  
nds than in the consumer's.  
y will a man continue to drive  
car with 50,000 miles on it and  
e another of the same vin-  
! Well, for one thing, if he put  
50,000 on the car, he knows  
circumstances under which  
miles accumulated.

et us consider the mechani-  
y sound, clean high miler . . . a  
od, safe car which, in your  
union, has much service re-  
aning. Rather than take a sum  
l under the car's true value,  
uld it not be better to "warrant"  
power train? How much could  
ost if the worst happened?  
en I see a penalty of \$2,500 on a  
-sized car with 70,000 miles on  
... I have to do a double take.  
w can a guy trade a car with a  
den like that? Think about this  
a minute: all blades cut two  
ys. The dealer who can effec-  
ely merchandise high milers  
enjoy two benefits, and one of  
e is being much more com-  
itive in selling the *new car*  
en the high miler is offered in  
e. The other benefit: a better  
fit on the used car.

ome mechanical devices run  
most continuously . . . espe-  
ly electro-mechanical appli-  
es. You buy a refrigerator, put  
in the kitchen and forget it. It  
s and runs . . . and chances are  
was made by American labor.  
merican cars will function much  
ger than we give them credit  
Perhaps we introduced and  
ured the 50,000 miles myth,  
perhaps it is time to sell the  
American car and not the one  
ch exists in so many minds.  
identally, the 1973 wagon we  
ht as a tow vehicle has 75,000  
es on it . . . had 74,000 when we  
ht it. I expect to use it for sev-  
years . . . and I expect to spend  
e money on it. After all,  
ing is free.

# It's a breeze!



## Save Up to 40% of Heating Fuel Costs



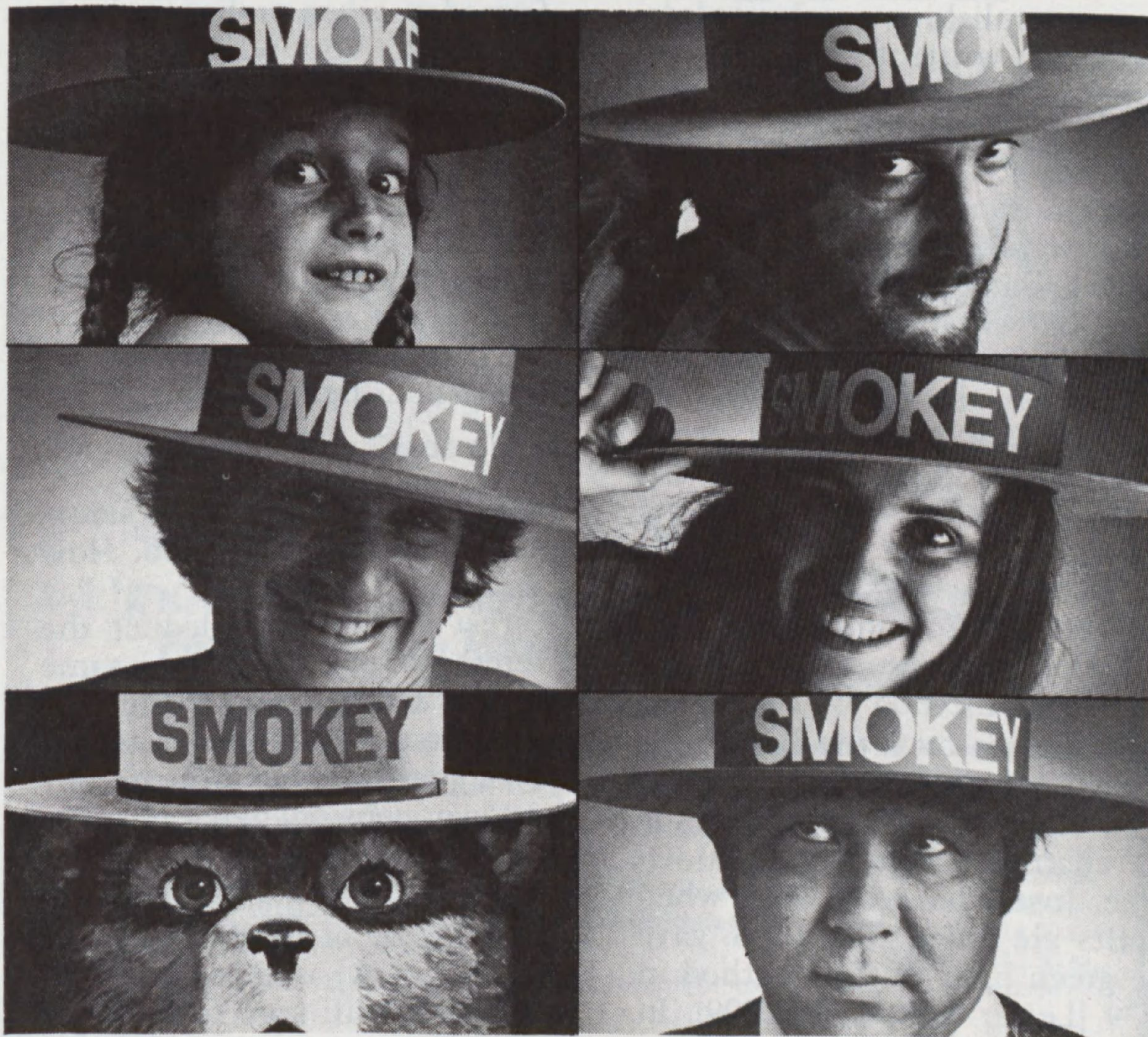
with **ESP** Recirculating System!

The ESP Energy Recirculating System gently forces the heat down to the floor to keep the thermostat satisfied. This greatly reduces the number of times your furnace is called on for heat.

Saves heat in winter, cools in summer. Check us out . . . call us TOLL FREE for names of users in your area and special industry prices.

**800-548-7199**  
IN MONTANA • 406-252-0480

WRITE:  
ENERGY SAVING PRODUCTS  
P.O. BOX 311  
BILLINGS, MONTANA 59103



## Only you can prevent forest fires.

A Public Service of This Magazine & The Advertising Council





# TAX BRAKES



Irving Blackman

## PROFIT DOWNTURN CALLS FOR DEPRECIATION DOWNTURN

**A**lways select the fastest method of depreciation to save the most taxes." That statement is a myth. Certainly, a high tax bracket dictates the fastest possible depreciation write-off. The 200 percent declining balance method (DB) or the sum-of-the-years digits method (SYD) are the accepted champions for accomplishing accelerated depreciation write-offs. The DB will produce exactly twice the amount of write-offs as the straight line method (SL) the first year; the SYD gets you even more.

But what happens if profits are down or if losses are on the bottom line? Or worse yet, what if the good times look like two or more years down the road? Accelerated depreciation just doesn't make sense. Now, logic dictates saving those depreciation write-offs for higher tax-bracket years. The law does not allow you to defer depreciation deductions. However, selection of the most effective depreciation method will save the most dollars over the life of the asset to be depreciated.

To date, the 100 percent DB is the champion depreciation slowpoke. Just what you want when profits are down. The I.R.S. gave the green light to this method in 1979 (Letter Ruling 7922009). In

March, 1980, the I.R.S. expanded the concept to allow any elected percentage between 100 and 200 percent (Letter Ruling 8010111). You can adopt "slowpoke" DB initially or change to it. The 100 percent DB gives the same depreciation result as SL in the first year and goes down a bit every year thereafter.

Someday, when profits are back on stream, you will want to change your depreciation method. This requires I.R.S. permission. However, a change from DB to SL is automatic (Section 167(e) of the Code). Permission may be granted to change from DB to SYD (Rev. Proc. 74-10).

We'll talk more about depreciation methods next month.

\*\*\*

**Qualified plan loans make sense, and dollars and cents too.** How does this tax idea strike you? Pay interest to yourself; deduct the interest you pay; receive the same interest tax-free. Impossible? It can be done. How? In a nutshell, have a qualified plan (either profit sharing or pension) make a loan to its participant(s).

Tax-wise, this maneuver scores 10 on a scale of 10. But also consider that (1) employees who might quit will stay to get their

plan funds and (2) executives, including the people at the top, have a delightful additional source of credit. The maneuver was recently okayed for even a qualified plan with a single participant (Letter Ruling 8008059).

Are there any hitches? Not really. The I.R.S. will approve a qualified plan that has a loan provision if the loans: (1) are available to all participants and beneficiaries on a reasonably equivalent basis, (2) are not made available to highly compensated employees, officers or shareholders in a percentage amount greater than to other employees, (3) are made in accordance with specific provisions regarding such loans set forth in the plan, (4) bear a reasonable rate of interest, and (5) are adequately secured.

The vested portion in the participant's account, (for a profit sharing or money purchase plan) can be used as security for the loan. In addition, the loans from such plans can exceed the vested amount in the participant's account without the plan risking disqualification as long as the loans are: (1) adequately secured (by other than the non-vested portion of the plan), (2) bear a reasonable rate of interest, and (3) are repaid within a specified period of

These columns are prepared by Blackman, Kallick & Co., certified public accountants, under the watchful eye of Irving Blackman. Blackman, also an attorney and author of *Winning The Tax Game*, consults with businessmen around the country on the subject of taxes and profitability. Questions concerning these columns should be addressed to Blackman, Kallick & Co., 180 N. LaSalle St., Chicago, IL 60601.



...ne. Loan security for a defined benefit pension plan can be provided up to an amount equal to the actuarial equivalent, or present value, of the participant's accrued benefit.

Caution is required when the loan is less than the employee's stated interest. There must be evidence that a real debtor-creditor relationship exists. Otherwise, the attempted loan would be labelled an "advance distribution" by the I.R.S. Result: taxable income to the employee. This problem is easily avoided by clearly setting out the loan terms in either the plan or the loan itself.

\*\*\*

**Interest-free loans from your corporation.** Most owners of closely held corporations have, at one time or another, borrowed money from their own corporation. Often, such loans are made by the corporation to the shareholder/owner interest free. Does the shareholder realize income (equal to the current cost of money) from such a loan? No, and the law is fairly well settled—so the Tax Court held in *Dean* in 1961 and again in *Greenspun* in 1973.

A recent case is a roadmap of what *not* to do and is a trap for the unwary. The stockholders, C and P, owned all the stock of GP, Inc. C and P borrowed an average of \$100,000 interest-free from GP, during 1973 and 1974 to pay personal obligations. During these years, GP, Inc. owned about \$100,000 in interest-bearing obligations to various creditors. These debts were personally guaranteed by C and P.

The court held that the realities of the case made GP, Inc. the agent of C and P when it obtained loans for the benefit of C and P. C and P were held to have received dividend income equal to the amount of interest paid on "their loans." They were entitled to an offsetting interest deduction. *Joseph Creel*, (1979) 72 TC No.

My advice: shareholders of a closely held business who have guaranteed corporate debts should charge a fixed rate of interest when borrowing from their corporation. The obligation to the corporation could be evidenced by a note due on a date certain and should be

paid on that date.

\*\*\*

**State law makes funny tax law.** Most people don't know it, but state law often controls federal income tax results. The following two cases illustrate a bit of tax law along with a bit of current Americana.

A single North Carolina taxpayer (Joe) lived and supported a single woman (Mary). Joe met every requirement necessary to claim a dependency exemption for Mary. Well, almost—you see, un-

marrieds living together in North Carolina are in violation of state law. And such a no-no, the court held, killed Joe's right to an exemption for Mary. Joe should move to Missouri because...

Missouri is more broad minded: cohabitation of unmarried persons of the opposite sex is not outlawed. In this case, a woman was allowed to claim a man, who lived with her and her children, as a dependency exemption.

If the shoe fits, better check out the local law. **Æ**

## Accurately Reporting the Used Car Market

# NADA

OFFICIAL

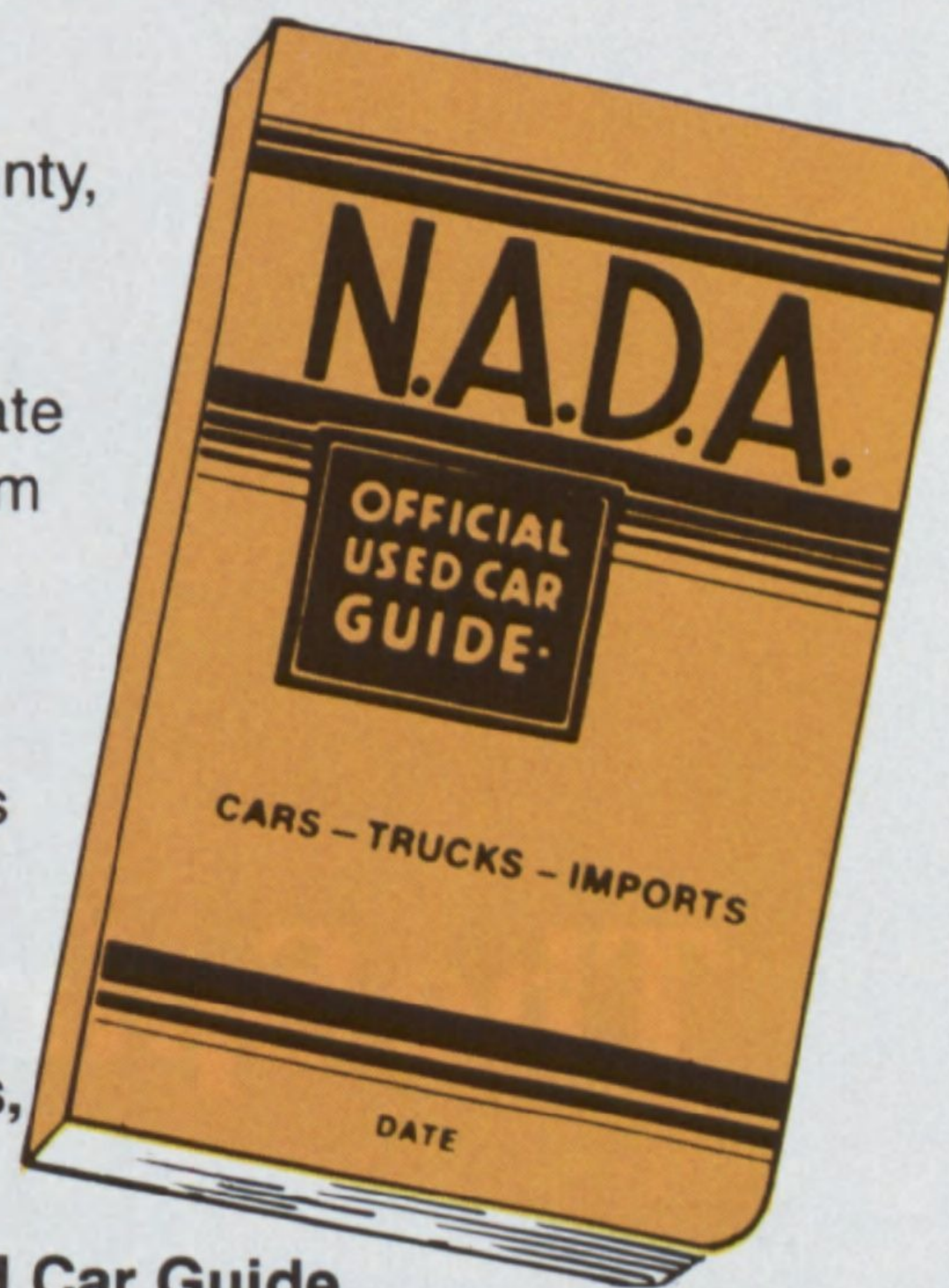
## USED CAR GUIDE

In these days of higher priced used cars and market uncertainty, the NADA Guide performs the important service of bringing you timely, concise and accurate market value data, derived from transactions of dealers and auctions in your general trading area.

In addition, the Guide provides all essential information for vehicle identification.

**A New Edition Every 30 Days,  
Regional, for Your Market**

**America's Number One Used Car Guide**



### SUBSCRIPTION ORDER FORM

National Automobile Dealers Used Car Guide Co.  
8400 Westpark Drive, McLean, Va. 22102

Please enter our order for \_\_\_\_\_ New ☐ Additional ☐  
Annual Subscriptions to the **NADA Official Used Car Guide**, issued every 30 days.

☐ Remittance enclosed ☐ Will remit on receipt of invoice

Name \_\_\_\_\_

By \_\_\_\_\_ Make of car handled \_\_\_\_\_

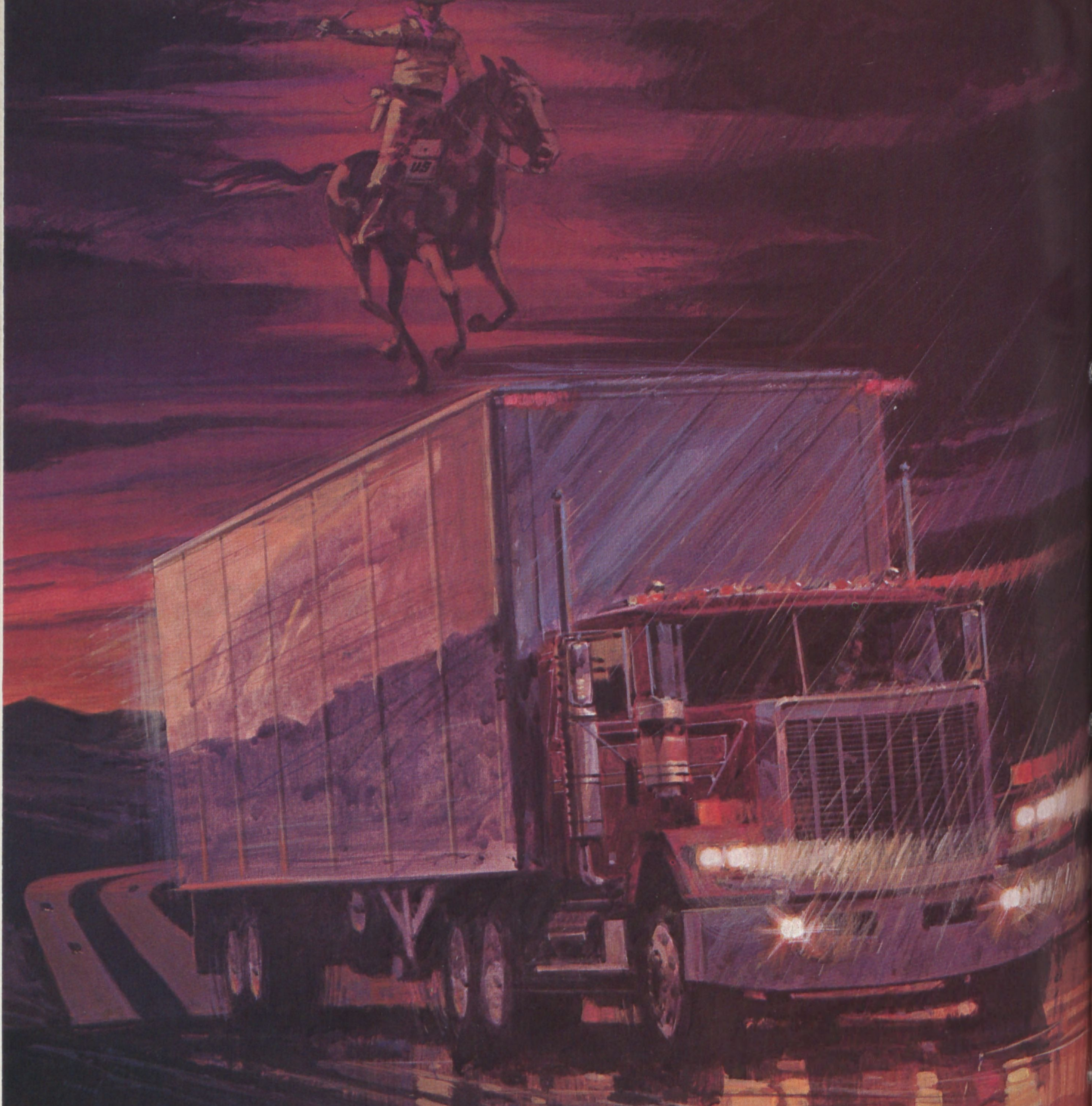
Street \_\_\_\_\_ or P.O. Box \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

### SUBSCRIPTION RATES

1 sub. .... 19.00  
2-4 sub. .... 18.00 ea.  
5-9 sub. .... 17.00 ea.  
10-24 sub. .. 15.50 ea.  
25-49 sub. .. 14.50 ea.  
50-99 sub. .. 13.50 ea.  
100 & up .... 12.50 ea.





# The Spirit That Moves America

FROM ST. JO TO SACRAMENTO IN 10 DAYS FLAT!

The Pony Express used horsepower and manpower to move a continent and bind together a nation.

Pony Express riders were the first of the breed. Dependable. Resourceful. Men of vision and daring who had the spirit to pioneer the future. And when their day was done, they handed that future to the NEW PIONEERS.

Today their spirit is still moving America's trucking industry. From the East Coast to the West. Through storm, darkness and adversity. From bustling cities to the smallest village and hamlet. Where there are no waterways. No railways. No airways. Delivering the materials. Combining ingenuity and modern technology to move the nation ever onward and upward.

Trucking is the heartbeat, the very life's blood of American commerce, providing the horsepower and stamina to get the job done.

The American trucking industry. The NEW PIONEERS keeping the spirit alive. Moving our lives and our country toward a brighter, better tomorrow.



**Transportation Group**

55 E. Monroe Street  
Chicago, Illinois 60603  
(312) 781-5800

© A Gulf + Western Company.

**American Pioneer of Transportation Financing**



# ON THE HILL



**Tax credits and repeal of Truck Excise Tax pushed by NADA**

Although recent actions taken by the Carter administration will be helpful to dealers, NADA believes further action is necessary to correct the basic problem of high inventories and depressed sales. To this end, NADA is continuing to press the Congress for the enactment of tax credits and the elimination of the truck excise tax.

Both moves, the Association thinks, could go a long way toward stimulating new car and truck sales.

On July 17, NADA President George Irvin sent a letter to each NADA dealer member urging immediate contact with his or her elected representatives in support of a *temporary* tax credit. In the letter, Mr. Irvin stated that a credit of 10 percent of the purchase price of a vehicle with a cap of between \$600 and \$1,000, would provide the financial incentive needed to stimulate new car and truck sales.

To date, several bills have been introduced in the House of Representatives which provide for a credit. Additionally, many members of Congress have indicated support for the basic concept. However, the time frame left for congressional action on this issue is extremely short. (As of this writing, less than seven legislative work weeks remain prior to the November elections.) This short time frame, plus opposition to a pre-election tax cut by the administration and some key congressional leaders, make the task of getting a tax bill this session of Congress all the more difficult.

On another front, NADA and ATD firmly believe the Association's long-held position for repeal of the Truck Excise Tax must also be strongly pushed at this time as a means for stimulating the sale of medium and heavy-duty trucks. (See this month's *Big Rigs* column, page 21.)

Congressman William M. Brodhead (D-Michigan) has introduced a bill, H.R. 1914, which would repeal the current 10 percent excise tax on trucks and trailers and the 8 percent tax on truck parts and accessories. Rep. Brodhead has also written Secretary of the Treasury William G. Miller, urging the administration to consider the removal of these taxes in any future tax reduction proposal.

NADA and ATD officials have recently initiated talks with other concerned groups regarding the repeal of the Truck Excise Tax. The response from this initial meeting was good, and plans are currently under way to further define the actions this group can take in an effort to promote the elimination of the FET.

As mentioned earlier, the time left for Congressional action on these two proposals is short. However, many members of Congress do feel that an immediate tax cut is necessary for our economy to rebound from the current recession, and they will be working for a pre-election tax bill. Dealers must therefore continue to contact their House and Senate members to urge their support for these two important dealer issues.

Even should the Congress fail to pass a tax bill this year, dealer efforts in this regard will not be wasted. NADA will continue to press for tax credits and repeal of the Truck Excise Tax, and when a tax bill is considered by subsequent Congresses, each dealer contact that has been made will be extremely beneficial.

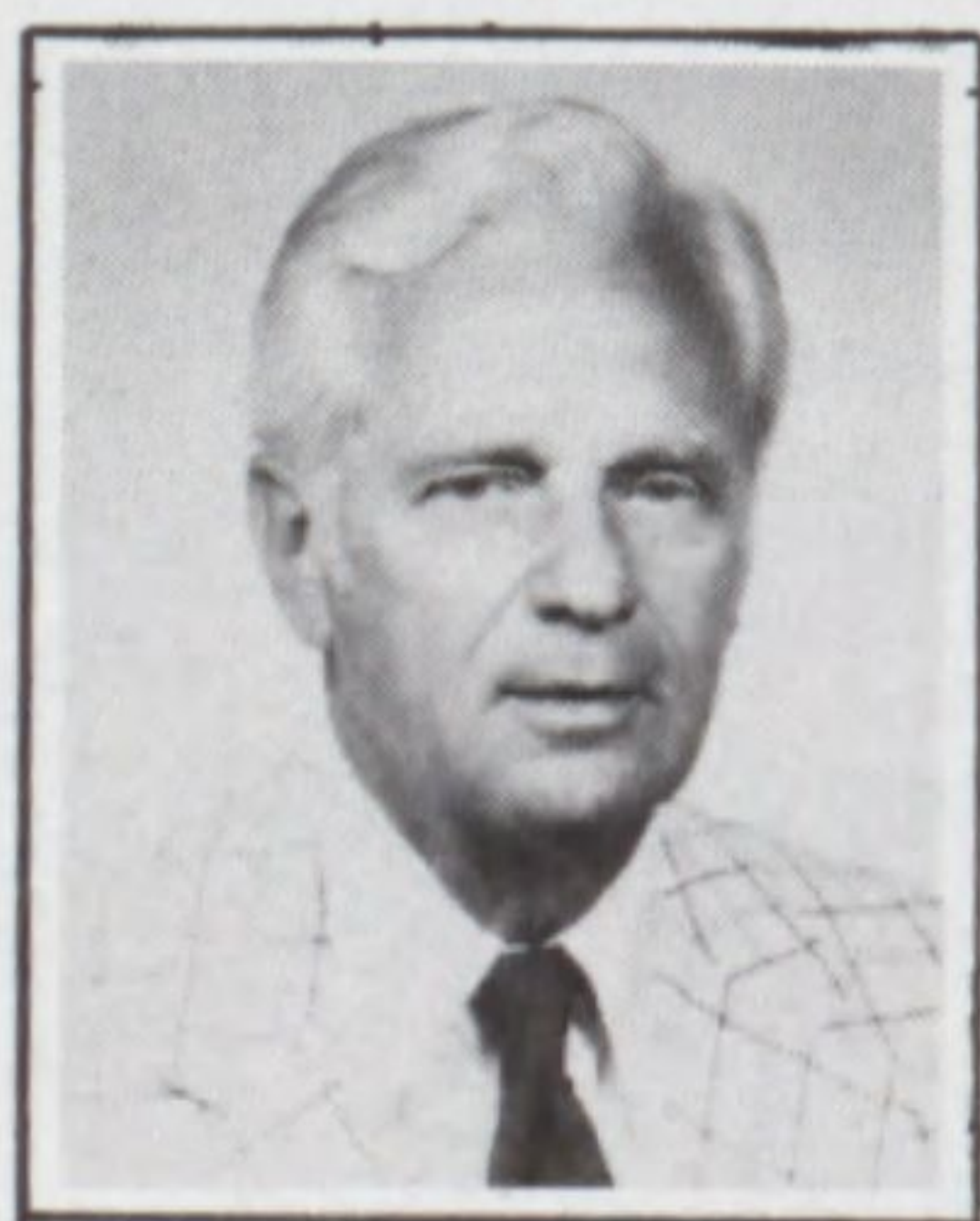
Æ

This is one of a series of monthly columns dealing with legislative issues of concern to franchised new car and truck dealers. It is intended to provide a brief summary of those actions either already taken by the Congress or currently pending which will impact on your business.



# AUCTION BLOCK

## Auction Activity Strong



George Basel

**A**t press time, the auction market was still moving along at a high level of activity. Members of the National Auto Auction Association have been reporting a continuing strong market, with sales hovering around the 70 percent mark.

This surprising strength has shown up in the standard and big cars even though a slowdown in consignments is appearing. What has brought this demand in the larger car category back so strongly? Only six months ago, car loans were unobtainable even at the high interest rates. Gasoline prices continued to rise. If there wasn't a shortage of gasoline, the driver avoided the higher prices; so short lines formed at the lowest-price gasoline stations. Within the past two months, things have really turned around. Interest rates have dropped and money is available and cheaper. Gasoline prices have stabilized and all prices are within a cent or two of each other, so there are no lines. Big car prices had fallen more than they should have and now offer good values for both the dealer and the retail customer. Finally, the good used car, price wise, is more attractive as the new cars in both the domestic and foreign fields continue to rise in price.

\*\*\*

Auction owners across the country continue to report that more and more franchised dealers are using the auction now to keep themselves aware of the market trends forged by economic changes, and to maintain inventory as new car trade-ins vanish. There is no other way that a few hours one day a week can be used to better advantage. The dealer can stay abreast of the market and adjust his inventory at the same time.

\*\*\*

Jim Wheatly, owner of Harrisonburg Auto Auction, Harrisonburg, Va., recently presented the check from the largest Ford Motor Co. factory executive car sale ever held to Jim Terry, Manager, Ford Used Vehicle Resale Activity, while Joe Harde, Ford sale coordinator, looked on. A total of 604 vehicles were sold on July 15 for \$3,644,525. Jim said 159 dealerships from 19 different states were represented at the sale.



On the day preceding the sale, the auto auction sponsored its second Annual Golf and Tennis day, followed by a reception and banquet. All of the sale and attendance numbers are new records for the Ford resale program.

\*\*\*

Melvin Reid of 166 Auto Auction, Springfield, Mo. announced the birth of a new baby named "Mobile Trim Unit #1."

The auction for several years has had a trim shop that installed vinyl tops, stripes, side moldings and windshields. Many dealers from the small towns that surround Springfield have used these shop services but had to drive the car to 166. Now Mel will provide this service at the dealer's lot.

The new baby is well equipped with side moldings, stripes and wheel covers. Upon request, it will be able to install vinyl tops and windshields at the dealer's place of business also.

Reid believes the venture will be a very profitable one, of course, but he also sees it as a good public relations tool for the auction.

\*\*\*

A Collectors Car Show and Auction is scheduled to be held at the Greater Chicago Auto Auction, 12055 South Cicero Ave., Chicago, Ill. 60658 on September 27 and 28. Joe Lyng, Greater Chicago owner, is expecting 500 nostalgic motor cars for his second big sale of 1980. For further information, call Joe at 312-597-3600.

\*\*\*

Auction Block is prepared exclusively for **automotive executive** by George Basel of the NADA Official Used Car Guide. All comments or questions pertaining to these columns should be mailed to: George Basel, **automotive executive** magazine, 8400 Westpark Dr., McLean, VA 22102.



## AUCTION CLASSIFIEDS

### Arizona

**SOUTHWEST AUTO AUCTION**,  
Lease and fleet accounts welcome.  
Member NAAA AND NAFA. 3420  
South 48th Street, Phoenix. Tel.  
(602) 894-2211.

### Connecticut

## SOUTHERN

EST 1946

## AUTO AUCTION

RT. 5. WAREHOUSE PT., CT.  
*There's an Auction Every  
Wednesday at Southern*  
Larry Tribble & Bob August  
203-623-2617

### Michigan

## APTCO AUTO AUCTION

20911 Gladwin, Taylor, Mich. 48180  
Licensed car Dealers

**SALE EVERY TUESDAY  
12 NOON**

Factory Front Line Units.  
Lease and Rental Units. For  
Information, Hotel reser-  
vations, numbers

**CALL AREA 313 285-7300**

**YOUR STRONGEST COMPETITOR ATTENDS!**

## FLINT AUTO AUCTION, INC.

**WEDNESDAY 10:57 A.M.  
4 LANES**

3711 WESTERN RD. FLINT, MICHIGAN 48506  
PHONE (313) 736-2700

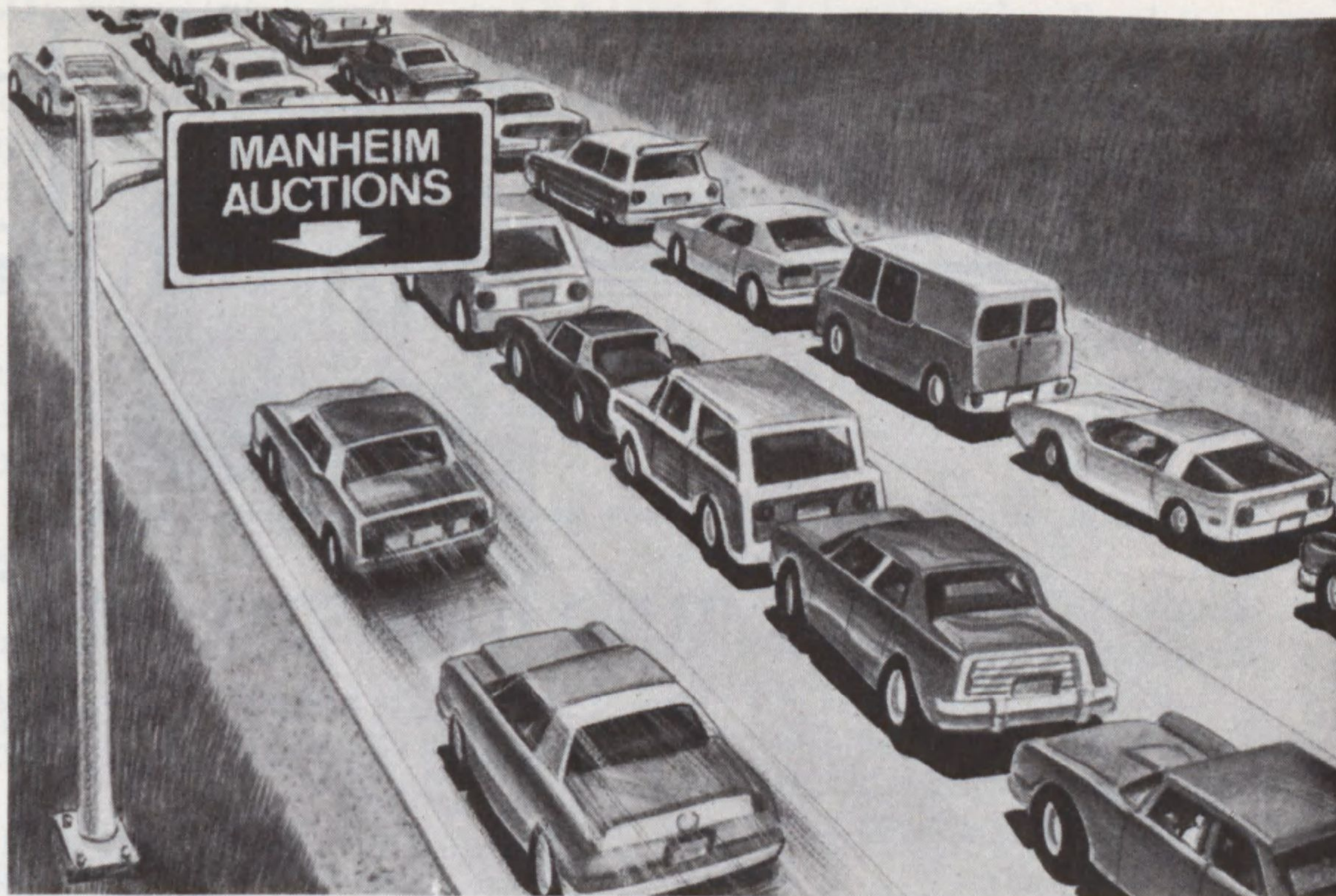
### Texas

**AMARILLO AUTO AUCTION.**  
Lease & fleet specialists for 33  
years. Write or call Dale or Friday,  
208 E. 10th Ave., Amarillo, TX  
79104. Tel. (806) 372-2206.

Bob Gentle, owner of Metro  
Auto Auction of Kansas City, Mo.,  
has recently purchased four new  
international tractors and Delevan  
trailer trailers as another added  
service to his dealer body. They  
have the capability of hauling 8  
full-size cars or 10 small-size cars.

\*\*\*

Over 140 Chevrolet dealers and  
their used car managers attended



# FAST LANE TO PROFITS.

Looking for the "fast lane" to maximum profitability? You'll find it—along with many of America's smartest dealers—at your nearest Manheim Auction.

Manheim gives buyers the industry's finest selection of cars, its most comprehensive support services, and its most proven skills—all to help you get ahead and stay there.

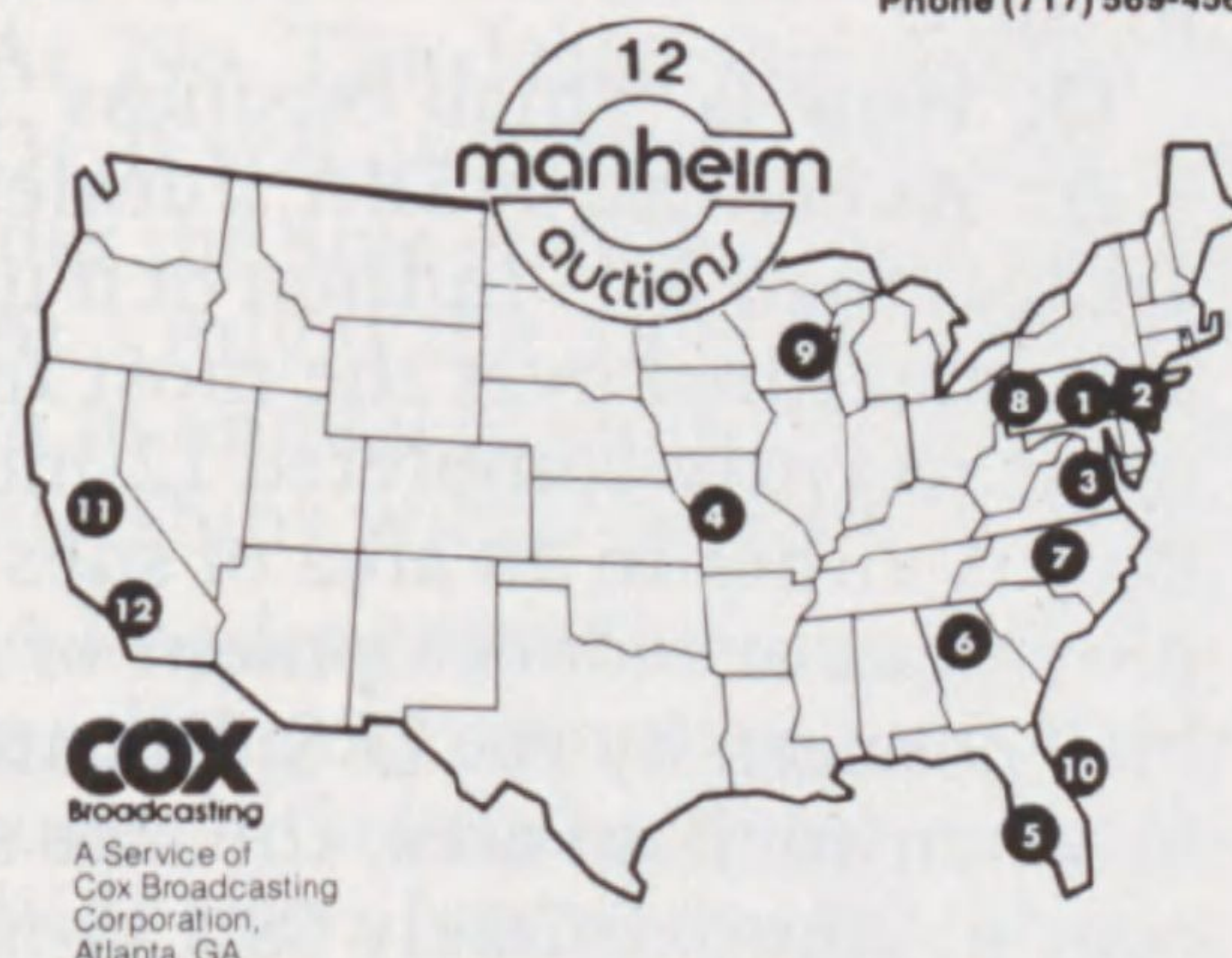
Manheim gives sellers unrivaled expertise and profes-

sionalism in keeping inventories regulated and getting rid of slow movers—so you save time and money.

For all dealers, Manheim provides speedy, efficient auction service... along with fair and equal treatment. It's a system perfected through 35 years of serving dealers like you.

Don't be a slow poke when profits are at stake. Get up to passing speed at one of America's 12 Manheim Auctions!

MANHEIM AUCTIONS, P.O. BOX 4667, LANCASTER, PA 17604  
Phone (717) 569-4561



LEADING THE INDUSTRY SINCE 1945

- 1 MANHEIM AUTO AUCTION, Manheim, Pa. 17545  
Sale Friday Phone 717/665-3571
- 2 NATIONAL AUTO DEALERS EXCHANGE, Bordentown, N.J. 08505  
Sale Wednesday Phone Bordentown 609/298-3400—  
Camden 609/662-6700—Philadelphia 215/923-1090
- 3 FREDERICKSBURG AUTO AUCTION, Fredericksburg, Va. 22401  
Sale Thursday Phone 703/898-4900
- 4 KANSAS CITY AUTO AUCTION, Kansas City, Mo. 64127  
Sale Wednesday Phone 816/241-2614
- 5 LAKE LAND AUTO AUCTION, Lakeland, Fla. 33802  
Sale Wednesday Phone 813/984-1551
- 6 ATLANTA AUTO AUCTION, Red Oak, Ga. 30272  
Sale Thursday Phone 404/762-9211
- 7 HIGH POINT AUTO AUCTION, High Point, N.C. 27261  
Sale Tuesday Phone 919/886-7091
- 8 BUTLER AUTO AUCTION, Gibsonia, Pa. 15044  
Sale Wednesday Phone 412/443-7211  
Pittsburgh 412/961-0305
- 9 METRO MILWAUKEE AUTO AUCTION, Caledonia, Wis. 53108  
Sale Wednesday Phone Caledonia 414/835-4436  
Chicago 312/236-2623
- 10 FLORIDA AUTO AUCTION OF ORLANDO, Ocoee, Fla. 32761  
Sale Tuesday Phone 305/656-6200
- 11 FRESNO AUTO DEALERS AUCTION, Fresno, Calif. 93706  
Sale Thursday Phone 209/268-8051
- 12 CALIFORNIA AUTO DEALERS EXCHANGE, Anaheim, Calif. 92803  
Sale Wednesday Phone 714/996-2400

"Chevrolet Dealers Day" recently  
at Bay Cities Auto Auction in San  
Jose, Calif.

The dealers were served break-  
fast and heard William Goebbel,  
Merchandising Manager for Chev-  
rolet in Northern California, talk  
on "Used Car Merchandising".  
Arnie Addison, President of Bay  
Cities Auto Auction, gave a tour of  
his modern 20-acre facility and  
explained how the auction oper-  
ates and how he could help the  
dealer make a profit. The theme of  
the day was "Hot Dogs, Apple Pie  
and Chevrolet".

Arnie also said his 11th Annual  
Corn Roast Party Sale, held July  
30, drew over 1800 vehicles, and  
dealers from the seven western  
states. Over two tons of roasted  
corn were served, plus lots of  
prizes for the lucky winners.

\*\*\*

You automobile dealers in the  
deep South, don't over-look At-  
lanta Auto Auction's 10th An-  
niversary. Jack Charlesworth,  
general manager, has requested  
everybody for lunch on September  
18. In addition to offering over  
1600 cars that day, Jack's holding a  
big drawing and the winner will be  
able to attend the Falcons vs.  
Saints football game in New Or-  
leans.

\*\*\*

Use Your Auction  
Turnover at the used car lot  
creates action with more sales  
profit.

AE





## The Auto Industry And The Law

### Questions and Answers on the Small Business Administration Automobile Dealers Loan Guaranty Program

In the past several months, NADA has vigorously sought financial assistance from the federal government for franchised new car and truck dealers.

Through the joint efforts of NADA the U.S. Small Business Administration (SBA), the Automobile Dealers Loan Guaranty Program has been established to provide many franchised new car and truck dealers with much needed financing.

The following material represents the answers to the most frequently asked questions about the SBA program for dealers. Additional questions may be addressed to the NADA Legal Group.

**Q:** How does a dealer become eligible for an SBA Loan?

**A:** To be eligible for an SBA guaranteed loan, a dealer must be in financial need and must be a "small business" as that term is defined by SBA.

**Q:** How is "small business" defined by SBA?

**A:** As defined by SBA, a dealer is a "small business" if annual sales are less than \$6.5 million or if unit volume is 950 *new retail* units or less, measured over the most recently completed fiscal year or the most recently completed 12-month period. In addition, if an applicant is either in an area of substantial unemployment, underemployment or redevelopment or is designated as a "Certified Eligible" concern by the U.S. Department of Labor or intends to use the funds in such an area, the size standard may be increased by 25 percent to approximately \$8.125 million in annual sales or 1,187 new retail units.

**Q:** What special assistance is available to minority-owned dealerships?

**A:** Direct SBA funds of \$12 million are available to minority dealers at 8.25 percent interest. A minority dealer is defined by SBA to include Black Americans, Native Americans and Hispanic Americans. Women are *not* included in this definition.

**Q:** What are the maximum interest rates that are going to be permitted on the SBA loans?

**A:** The interest rates under the SBA program will be at market rate, within SBA guidelines. On a less than 7-year term loan, the interest rate may not exceed 2.25 percent above the New York prime. On a loan of 7 or more years, the interest rate may not exceed 2.75 percent above the New York prime.

**Q:** Can you explain the SBA eligibility requirement that a dealer must be *unable* to secure conventional financing on the same terms in order to qualify for an SBA-backed loan?

**A:** In the usual case of a dealer seeking an SBA-backed loan, it is sufficient for purposes of making an SBA loan application if the *bank* indicates on its form to SBA that the loan would not have been offered to the dealer without the SBA guarantee and that, in the opinion of the bank, the assistance applied for is not otherwise available on reasonable terms.

This column is prepared by the Legal Group of the National Automobile Dealers Association. For further information or questions concerning the items appearing in this column, write: Legal Briefs, NADA Legal Group, 8400 Westpark Dr., McLean, VA 22102.



**Q:** Why can't a dealer use SBA loan funds for floorplan financing?

**A:** This program is not designed to help with floorplan financing. However, the proceeds of a guaranteed loan may be used for working capital, to refinance existing debt, and to effect changes in ownership if the dealership is thereby promoted or preserved.

**Q:** What exactly is the SBA "guarantee" and how long is the repayment period?

**A:** The SBA guarantee may not exceed \$500,000 or 90 percent of the total loan, whichever is less. The maximum repayment period is ten years, although a longer period is allowed in the case of land acquisition.

**Q:** If a dealer already has an outstanding loan with a bank, can the loan be renegotiated and added to a new SBA-backed loan?

**A:** It is possible to renegotiate the old loan. In this case, SBA would guarantee either a portion of the total of both loans or 90 percent of the new loan, up to \$500,000. A dealer should be careful about renegotiating an old loan so that a very low interest rate is not lost.

**Q:** Where can a dealer obtain an application form for an SBA loan?

**A:** Loan applications are available from SBA Regional, District or Branch offices or from participating banks.

**Q:** My bank wants me to provide it with a second mortgage on my house as collateral for this loan. Can they require that?

**A:** Banks are free to determine what is adequate collateral to secure the loan and this may vary between lending institutions. A mortgage on the dealer's home may be necessary before a loan is approved.

**Q:** I'm a relatively new dealer. In order to open my dealership, I entered into an arrangement with my manufacturer, in which the manufacturer has a controlling interest. Is my dealership eligible?

**A:** No. The dealership cannot be considered a small business.

**Q:** If you own more than one dealership and each dealership is under the size standard, can you still qualify?

**A:** Only if the total of *all* affiliated dealerships is under \$6.5 million in annual sales or 950 new retail units. For SBA purposes, the dealerships would be viewed in the aggregate.

*A Reader From Indiana Asks:* I'm a small dealer, and am considering selling my own auto service contracts to help boost my cash flow situation. Several outside companies have approached me about selling their contracts. Which system is best—my own or someone else's? Are there any special legal problems I should know about?

*Great care must be exercised by dealers to avoid unanticipated liabilities in connection with offering service contracts. This is because both state and federal laws impact on this subject.*

*A service contract is defined by the federal Magnuson-Moss Warranty Act as a "contract in writing to perform, over a fixed period of time or for a specified duration, services relating to the maintenance or repair (or both) of a consumer product." If the consumer is paying a fixed sum over and above the purchase price of a vehicle for a service or for preventive maintenance, then a service contract is involved.*

*Under federal law, implied warranties may not be disclaimed by the supplier of a service contract at the time of the sale of a vehicle or within 90 days of that sale. Sometimes a dealer is the supplier of the service contract and sometimes a third party is the supplier. A careful reading of the contract should reveal who the supplier is. Usually, when a third party offers a service contract, the dealer is not liable under it for anything but repairs, and the dealer is later reimbursed for the repairs. Thus, when a third party is the supplier of the service contract, the dealer avoids implied warranty liability.*

*Most of the large service contract companies are insured to help minimize the risks on dealers and to prove to dealers the companies' ability to pay off claims. Some states have taken the position that dealers who sell their own service contracts are illegally engaging in the business of insurance without proper licensing and funding. This is an area to watch carefully. It is a good idea to ask for the views of your secretary of state insurance on this matter.* **AE**

**question  
service contracts**



# advertisers index

## ADVERTISER

## PAGE

Ajax .....	27
Amarillo Auto Auction .....	51
American Hardware Mutual .....	Cover III
APTCO Auto Auction (Michigan) .....	51
Associates Commercial .....	48
CARS, Inc. ....	18
Custom Hardtops .....	34
Dawn Enterprises .....	32
Energy Saving Products .....	45
Flint Auto Auction .....	51
Ford Credit .....	17
Girard Productions .....	35
G M A C .....	25
Krex .....	43
Lighting Systems .....	54
Maguire Insurance .....	33
Manheim Auto Auction .....	51
Oakleaf .....	13
Polyglycoat .....	Cover IV
Public Relations .....	26
Ridgeway Chemical .....	3
R V I A .....	23
Siskin Enterprises .....	9-12
Southern Auto Auction .....	51
Southwest Auto Auction .....	51
Sports Achievements .....	35
Stop-A-Flat .....	36
Universal Underwriters .....	Cover II
Used Car Guide Co. ....	47
Western Diversified .....	31



### Classic Series

## With Larger Car Inventories, We Can Help You Now More Than Ever!

Moving your larger car inventories may mean more after dark selling. And with more cars than ever on your lot, be sure your display lighting is doing all the selling it can do.

LSI **Metal Halide** lighting was designed to give you the sales edge you need night and day. By night, our energy saving Metal Halide systems will provide outstanding illumination for nighttime merchandising. By day, our handsomely sculptured LSI lines make a valuable statement about your dealership.

In times like these you can use all the help you can get. So why not let your customers see you in the best light possible? Look into LSI...you may learn to love your evenings again.



For more information, write or call for a full color brochure describing our energy saving systems.

## lighting systems inc.

P.O. Box 42419 • 4201 Malsbary Rd. • Cincinnati, Ohio 45242 • (513) 793-3200



# Showcase

## WHAT'S NEW ON THE MARKET

Chalfont Industries (maker of Stop-A-Flat) introduces **Canarbo Jell**. No skilled labor is required to apply Canarbo Jell and this very simple, one-step application process will be completed in under 40 minutes. Canarbo Jell forms a permanent diamond-like coating over any car's shine that immediately protects the beautiful finish of the car from the corrosive and damaging effect of road salt, blazing sunlight, strong rain, freezing snow and sleet and most of the other natural and man-made hazards to which a car is subject. Highly profitable and completely warranted for three full years. Manufacturer: Chalfont Industries, 608 Masons Mills Rd., Huntingdon Valley, PA 19006.



This **Air Ratchet** features higher speeds of 210 RPM and greater torque to 55 foot pounds. It also has a fully rotatable ratchet head for more versatile operations. An additional feature is a rotating exhaust deflector for greater operator comfort. The Air Ratchet has a special grease fitting in the head to lubricate critical wearing points to extend the ratchet head life. Manufacturer: Mac Tools, Inc., P.O. Box 38124, 4380 Old Roberts Rd., Columbus, OH 43228.



Goodall Manufacturing Corp. introduces the **mini-gasser**. It is a portable, efficient, 12 volt fuel transfer pump. It utilizes a self-priming pump with a 72 gallon/hour capacity. It has a 20 foot, 12 volt power cord and a remote on-off safety switch. The mini-gasser is for use by the professional and all consumers who use fuel. Manufacturer: Goodall Manufacturing Corp., 7558 Washington Ave. S., Eden Prairie, MN 55344.



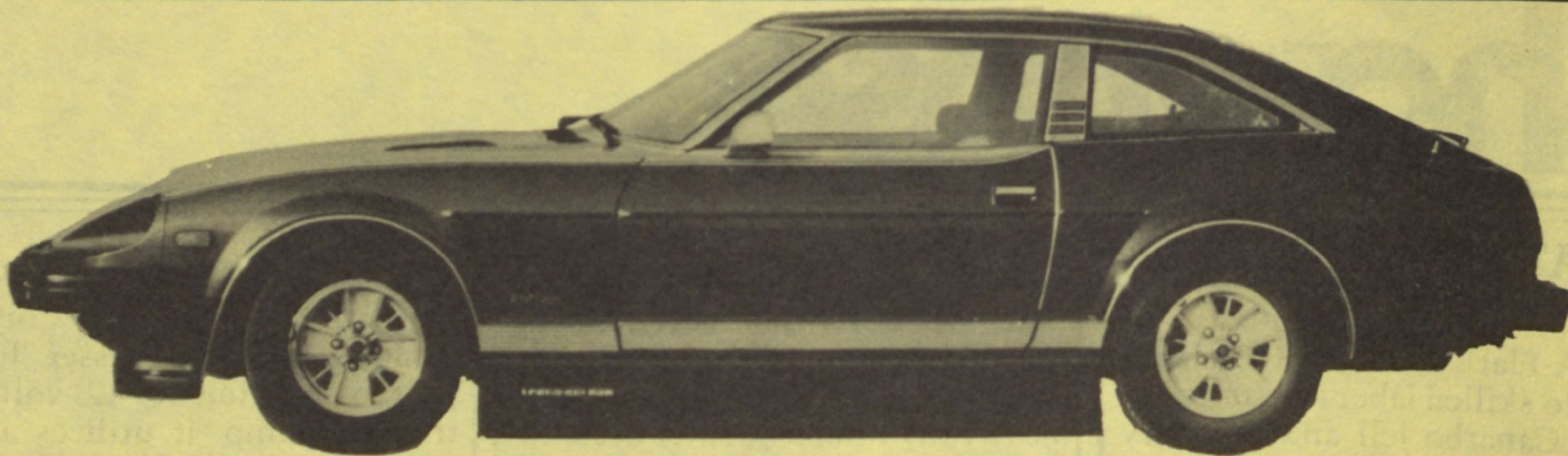
C. A. Laboratories, Inc. introduces the **CA-4100 7 Way Brush Cleaner**. This product is designed to solve the problem truck operators have with corrosion of electrical contacts on electrical connectors. Because of the construction of the plugs, it is difficult to clean them by using conventional methods. The CA-4100 7 Way Brush Cleaner uses 7 brushes mounted in an unbreakable ABS

plastic body. By sliding the brushes back and forth in a corroded electrical plug, the brushes clean all contacts at the same time. Manufacturer: C. A. Laboratories, Inc.



*Information and photographs of products listed in Showcase have been provided via manufacturer's press releases. A product's appearance in this column in no way implies endorsement by either NADA, the National Automobile Dealers Service Corp., or automotive executive magazine.*



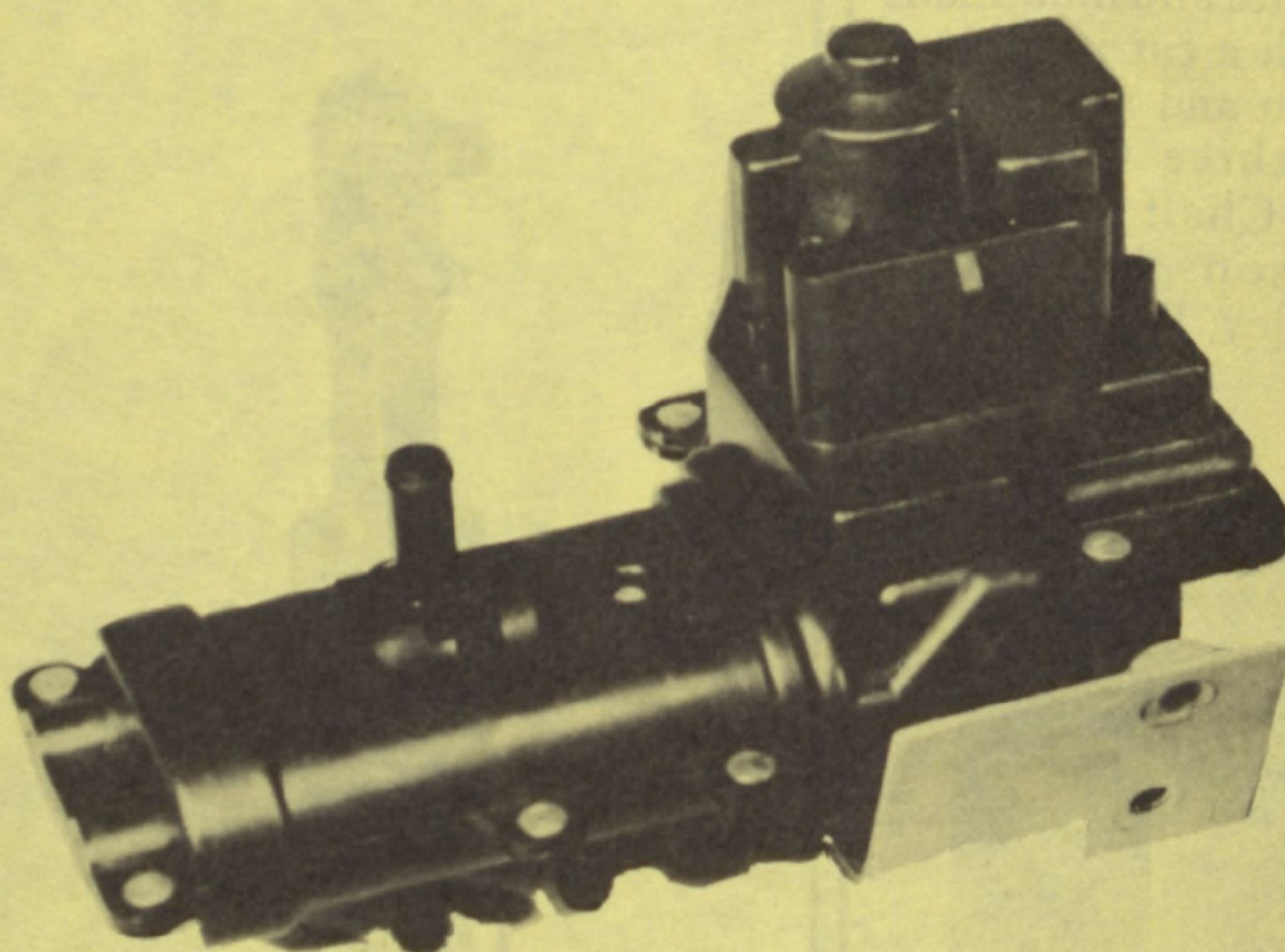


The **Universal SideSkirtz** was conceived to reduce drag and increase roadholding. SideSkirtz can easily be fitted to any car to give dramatic competition looks. The two part design allows the lower sections to flex when encountering road hazards, curbs, etc., with-

out damage. The top sections are made up of high impact, rigid ABS plastic, while the bottoms are made of flexible PVC. They can be pinstriped or painted for a custom look, or use them in the standard matte black finish. The kit comes with full instructions and every-

thing needed for installation. Universal SideSkirtz will fit all domestic cars and more than 120 different imports. Manufacturer: Richard Grant Motor Accessories Ltd. of England, and available in the U.S. through Tranz Acc, Inc., 21807 Plummer, Chatsworth, CA 91311.

Ex-Cell-O Corp. has developed a new motor-actuated **fuel transfer valve**. It will be used on a line of 1981 light trucks with dual fuel tanks. The valve enables the driver to select the main fuel tank or auxiliary tank at the flick of a switch. When the switch is thrown to change tanks, the motor actuates, closing the ports to the empty tank and opening those to the full one. The fuel transfer valves are the first of a new line of motor-actuated devices being developed for the automotive market by Ex-Cell-O Corp. Manufacturer: McCord Winn Div., Ex-Cell-O Corp., 2850 W. Grand Blvd., Detroit, MI 48202.

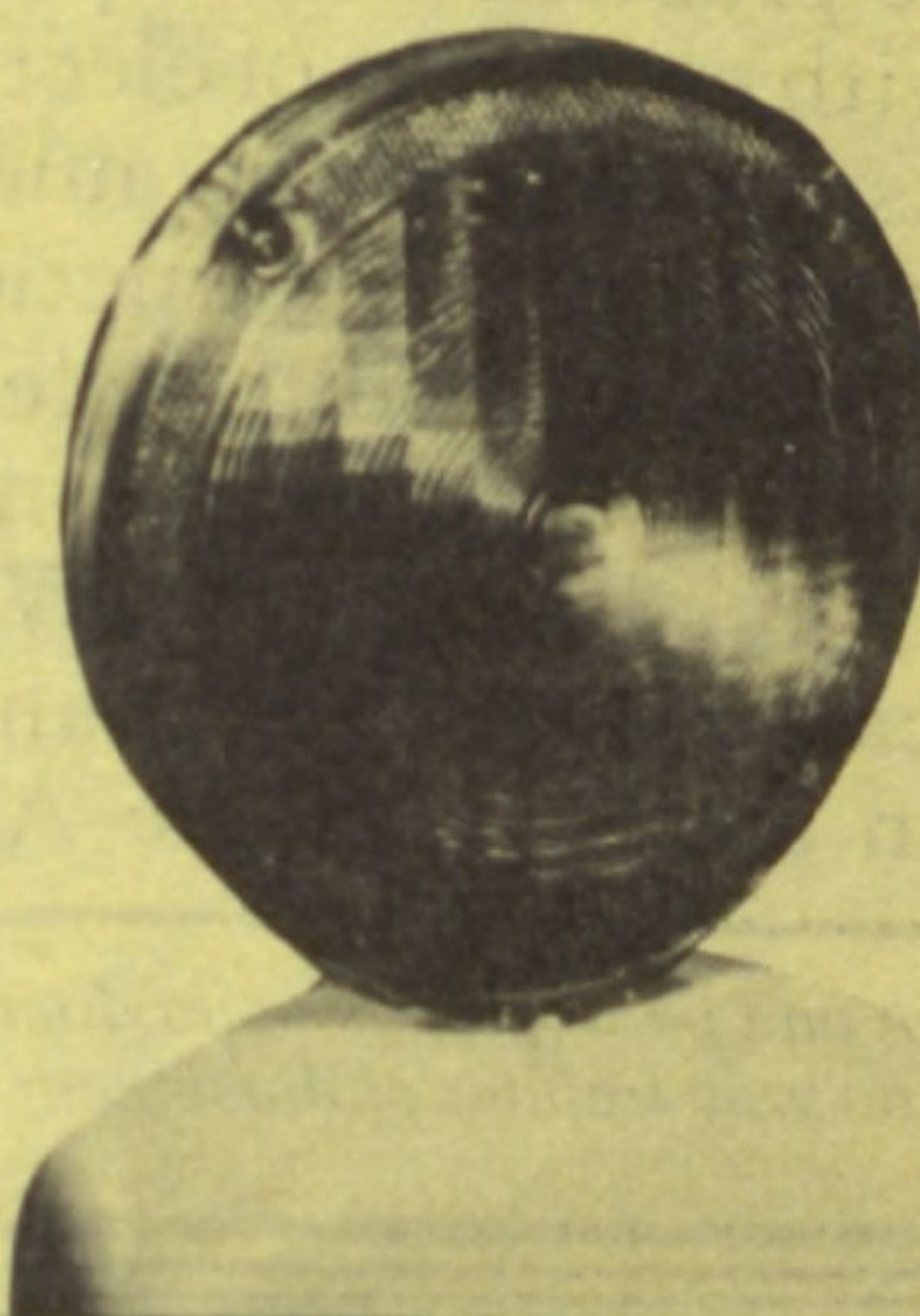


Valley Industries introduces the **4 x 4 line** of van, pick-up and four wheel drive accessories. 4 x 4 products are designed to be decorative as well as functional. The steel designer grille guards, tubular bumpers, tire carriers, tow hooks, and spotting hitches are all available in either a chrome or a

gloss black finish that blends with the vehicle. The tough 4 x 4 running rails are easy to install and protect the vehicle from stones, oil and other surface damage. There is also an assortment of jacks for travel trailers, mobile home, and campers. Manufacturer: Valley Industries, 1313 S. Stockton St., Lodi, CA 95240.



**SAF-T-LYTE™** is a protective emergency highway flasher that warns traffic in both directions to approach with caution. Safer than typical flares, SAF-T-LYTE™ has a simple pushbutton on/off switch, and can operate continuously for up to 48 hours. Manufacturer: SAF-T-LYTE™, 152 Reservoir St., Needham, MA 02194.





# What to do when you just can't take any more insurance costs...

## Ask us

We can't make insurance costs go away, but we may have some good ideas for keeping them in line. Working with automobile dealers since "horsepower" meant horses, our business insurance specialists know the risks—and the increasing costs—you face. We'd like to share some ideas on how you might use "self insurance", deductibles and other money saving strategies to profitable advantage. Call or return this coupon. We'll do the rest. No high pressure salesmanship. Just straight talk from somebody who knows his business...and yours.

NAME \_\_\_\_\_ TITLE \_\_\_\_\_

COMPANY \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_

STATE \_\_\_\_\_ ZIP \_\_\_\_\_

BEST's Rating: A+ Excellent

AMERICAN  
HARDWARE  
MUTUAL

P.O. BOX 435, MINNEAPOLIS,  
MINNESOTA 55440

"Taking the worry out  
of being in business"





# Meet the Car Lovers

CHROME & METAL CLEANER  
TIRE RECONDITIONER & CLEANER  
FABRIC SHAMPOO  
LIQUID GLAZE



WASH & SHINE  
LIQUID CLEANING COMPOUND  
VINYL FINISH  
VINYL STRIPPER

## Introducing 8 new ways to boost your showroom traffic and brighten your profit picture from Polyglycoat!

Beautifully packaged, these new products from Polyglycoat's space-age technology are real car lovers, because they're everything the consumer needs to clean, shine and protect their used vehicles and make them look showroom new again.

Unlike Polyglycoat's warranted protective products, which are applied *only* at new car dealers, these eight products are for *consumer* application.

Guaranteed to be exciting traffic builders for your dealership—you'll have the first opportunity to sell them through your service and parts departments.

A brand new advertising campaign will back up

your efforts, and take the message right to the consumer. Newspaper and magazine ads and TV commercials will deliver the customers right to you!

From Polyglycoat's very beginning, new car dealers have been the backbone of our extraordinary growth. That's why we've supported you all the way ... because your success is our success.

We're doing everything we can to sharpen your Competitive Edge and brighten your profit picture ... because we love our dealers like we love cars.

Send in the coupon for more information, or call toll-free (800) 431-1936; in N.Y. (914) 332-1100.

TO: POLYGLYCOAT, PROTECTIVE COATINGS, INC.  
25 North Broadway, Tarrytown, N.Y. 10591

YES, I am interested in all of Polyglycoat's new ideas for my dealership. Please contact me right away.

Name

Dealership Name

Address

City  State  Zip

Telephone

# POLYGLYCOAT

© 1980 Polyglycoat Protective Coatings, Inc.